

**COUNTY OF CHIPPEWA, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

December 31, 2003

CHIPPEWA COUNTY, MICHIGAN

ORGANIZATION

COUNTY BOARD OF COMMISSIONERS

CHAIRMAN	EARL KAY
VICE CHAIRMAN	AARON HOPPER
COMMISSIONER	DON COOPER
COMMISSIONER	RITA DALE
COMMISSIONER	JIM MOORE
COMMISSIONER	TED POSTULA
COMMISSIONER	RICHARD TIMMER

ELECTED OFFICERS

COUNTY TREASURER	MARILYN McDONALD
COUNTY CLERK	DIANE CORK
COUNTY REGISTER OF DEEDS	SHARON KENNEDY
COUNTY SHERIFF	JEFF MORAN
COUNTY SURVEYOR	WILLIAM CARR
COUNTY DRAIN COMMISSSIONER	ANTHONY BOSLEY

JUDICIARY

CIRCUIT COURT	HON. NICHOLAS LAMBROS
PROBATE COURT	HON. LOWELL ULRICH
DISTRICT COURT	HON. MICHAEL MacDONALD

APPOINTED OFFICIALS

COUNTY CONTROLLER	TIMOTHY J. DOLEHANTY
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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITORS' REPORT**

Chairman and Members  
Of the Board of Commissioners  
County of Chippewa, Michigan  
Sault Ste. Marie, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, the governmental major funds, and aggregate other funds, of the County of Chippewa, Michigan, as of and for the year ended December 31, 2003, as listed in the Table of Contents. These basic financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of Chippewa, Michigan as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.


The County of Chippewa, Michigan, implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments as of January 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2004, on our consideration of the County of Chippewa, Michigan’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management’s Discussion and Analysis on page 3 and budgetary comparisons are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Chippewa, Michigan basic financial statements. The combining and individual major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County of Chippewa, Michigan. Such information, except for that portion marked “unaudited,” on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Anderson, Tackman & Company, PLC  
Certified Public Accountants

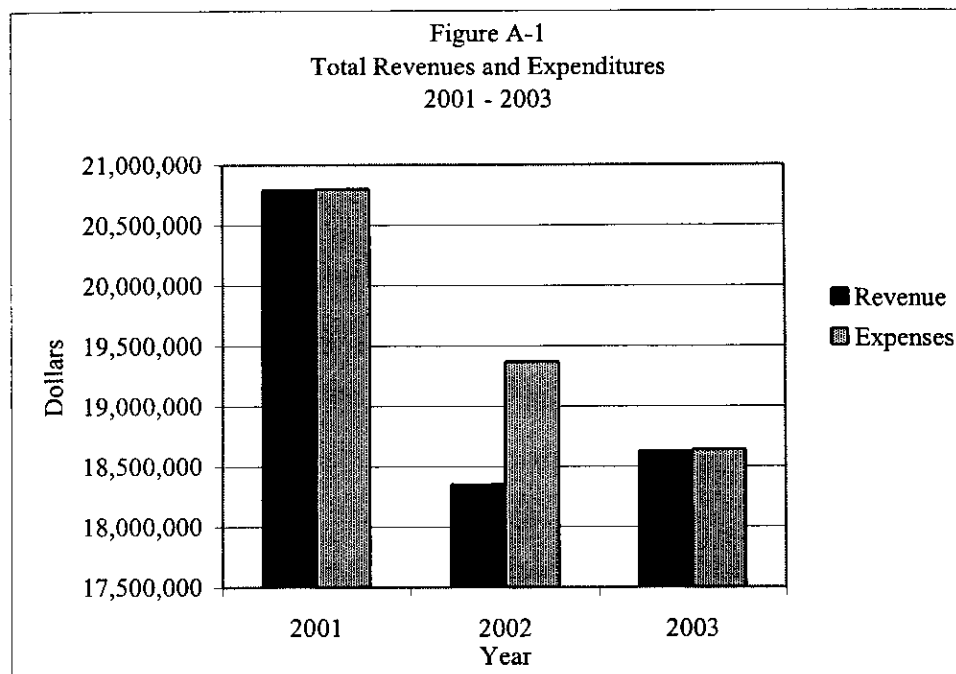
February 6, 2004

## **Management's Discussion and Analysis**

This section of the County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2003. Please read it in conjunction with the County's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The County's total net assets exceeded its liabilities at the close of the most recent fiscal year by \$2.3 million (*net assets*). The County's total net assets fell considerably from 2002 totals.
- During the year, the County's expenses were \$11,765 more than the \$17,010,880 generated in taxes and other revenues for governmental programs (before special items). This is far better than last year, when expenses exceeded revenues by \$1,021,471. Figure A-1 graphically depicts the revenue and expense trends.
- In the County's business-type activities, assets increased 5.5% to \$7,817,128 while liabilities increased by \$107,050.
- The total cost of the County's programs was down (decreasing \$145,717, or 1.82%), and no new programs were added in 2003.
- The general fund reported a deficit this year of \$431,781.
- The resources available for appropriation were \$194,229 less than budgeted for the general fund. However, expenditures were kept within spending limits by way of a transfer of funds from the delinquent tax fund.

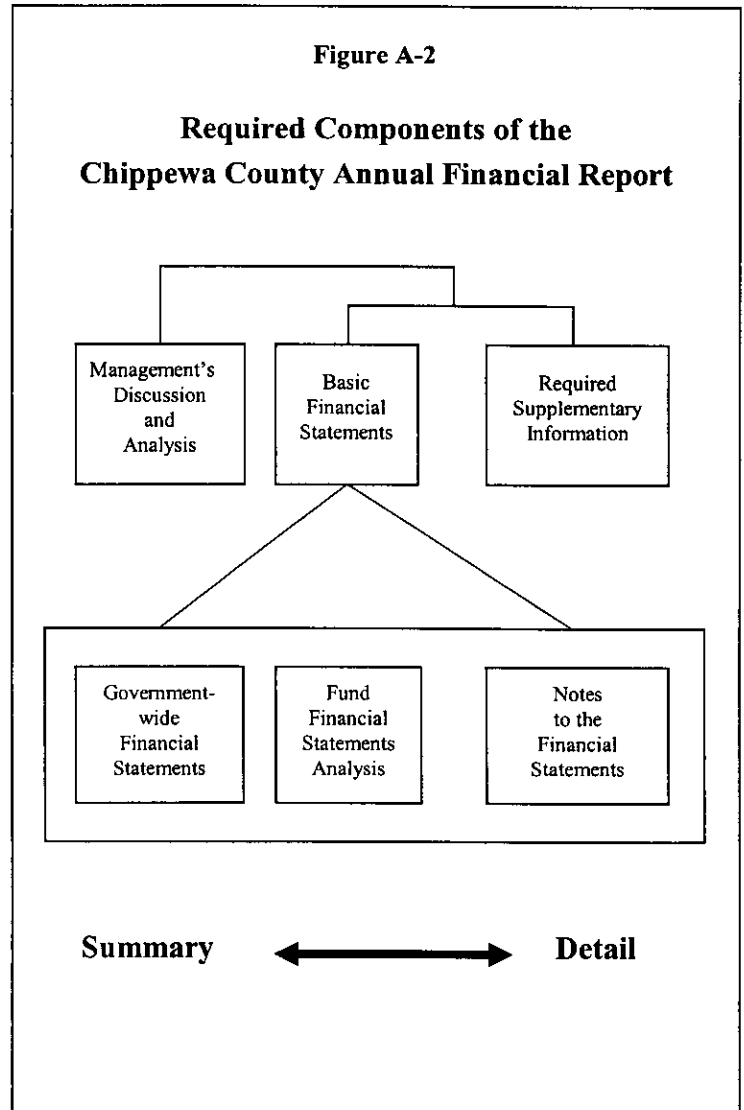




## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of County government, reporting the County's operations in more detail than the government-wide statements.
  - The *governmental funds* statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - *Proprietary fund* statements offer short- and long-term financial information about the activities the government operates like businesses, such as the tax revolving funds.
  - *Fiduciary fund* statements provide information about the financial relationships – as a trustee or agent for the benefit of others, to whom the resources belong.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information the further explains and supports the information in the financial statements. Figure A-2 shows how the required parts of this annual report are arranged and related to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-3 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-3**  
**Major Features of the County's Government-wide and Fund Financial Statements**

	<b>Government-wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire County government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary, such as sheriff, jail, health department	Activities the County operates similar to private businesses, tax revolving	Instances in which the County is the trustee or agent for someone else's resources, such as withholding taxes for the County employees
<b>Required financial Statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset / liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets although they can
<b>Type of inflow / outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## **GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net assets and how they have changed. Net assets - the difference between the County's assets and liabilities - is one way to measure the County's financial health, or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, additional non-financial factors such as changes in the County's property tax base and the condition of the County's roads need to be considered.

The government-wide financial statements of the County are divided into three categories:

- *Governmental activities* – Most of the County's basic services are included here, such as law enforcement, courts, equalization, public records, and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – The County charges fees to help cover the costs of certain services it provides.
- *Component units* – The County includes two other entities in its report - the Economic Development Corporation and the County Road Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The County Board of Commissioners establishes other funds to control and manage money for particular purposes (like the Correctional Facility Maintenance Fund) or to show that it is properly using certain taxes and grants (like the Ambulance Fund and the Housing and Urban Development Grant Fund).

The County has three kinds of funds:

- *Governmental funds* – Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine availability of financial resources that can be used in the near future to finance County programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement, or on the page following, to explain the relationship (or difference) between them.
- *Proprietary funds* – Services for which the County charges a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
  - The County's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows.
  - Internal service funds (the other kind of proprietary fund) report activities that provide supplies and services for the County's other programs and activities.
- *Fiduciary funds* – The County is the trustee, or fiduciary, of its employee withholdings. It is also responsible for other assets that, because of an arrangement, can be used only for the benefit of other units. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

**Net assets.** The County's combined net assets increased between fiscal years 2002 and 2003, totaling approximately \$27 million (see Table A-1 and Figure A-4). In comparison, 2002 net assets decreased \$714,343. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge.

Net assets of the County's governmental activities increased to \$19 million. However, some of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, etc). Net assets showed a \$747 thousand increase at the end of this year, an improvement over the \$791,635 deficit of the previous year. The 2002 deficit was the result of having long-term commitments that were greater than available resources. Specifically, the County did not include in past annual budgets the full amounts needed to pay for unused employee vacation and sick days. The County now includes these amounts in the annual budget.

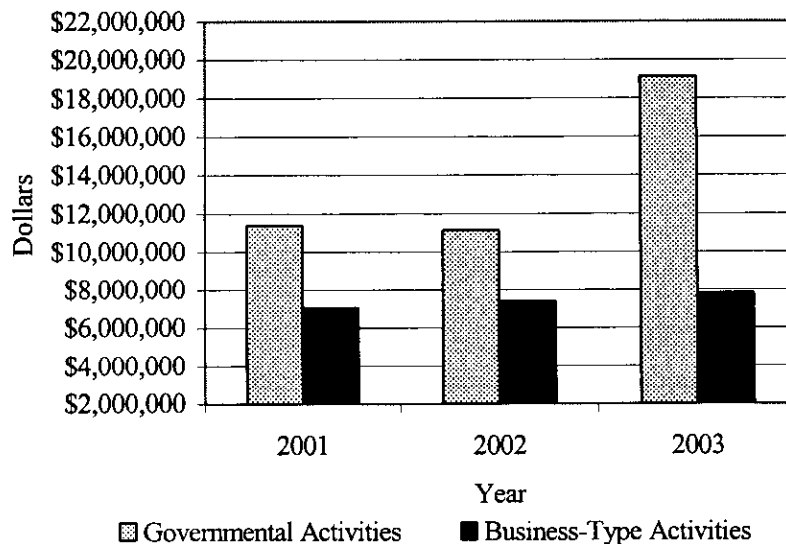
Although the net assets of our business-type activities increased by 4.11% to \$7,645,094, these resources can be used to make up for the net assets deficit in governmental activities.

Table A-1

## Chippewa County Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Current and Other Assets	10,956,084	10,889,789	7,408,412	7,817,128	18,364,496	18,706,917
Capital Assets	158,056	8,224,313	-	-	158,056	8,224,313
<b>Total Assets</b>	<b>\$11,114,140</b>	<b>\$19,114,102</b>	<b>\$7,408,412</b>	<b>\$7,817,128</b>	<b>\$18,522,552</b>	<b>\$26,931,230</b>
Current Liabilities	7,848,983	2,079,734	64,984	172,034	7,913,967	2,251,768
Long Term Debt Outstanding	15,601,335	14,746,959	-	-	15,601,335	14,746,959
<b>Total Liabilities</b>	<b>\$23,450,318</b>	<b>\$16,826,693</b>	<b>\$64,984</b>	<b>\$172,034</b>	<b>\$23,515,302</b>	<b>\$16,998,727</b>
<b>Net Assets</b>						
Invested in capital assets, net or related debt	14,164,781	(6,565,339)	-	-	14,164,781	(6,565,339)
Restricted	1,091,504	6,089,356	14,265	-	1,105,769	6,089,356
Unrestricted	2,173,653	2,763,392	7,329,163	7,645,094	9,502,816	10,408,486
<b>Total Net Assets</b>	<b>\$17,429,938</b>	<b>\$2,287,409</b>	<b>\$7,343,428</b>	<b>\$7,645,094</b>	<b>\$24,773,366</b>	<b>\$9,932,503</b>

Figure A-4  
Total Assets  
2001 - 2003



**Changes in Net Assets**

Table A-2 provides detailed information about changes in the County's net assets. Some of the more significant changes are highlighted below.

- The County operating millage rate in 2003 was 6.0897 mils, the same as 2002. Increased taxable values, new construction and uncapping (sales) combined to increase property tax revenue. Overall increases in tax revenue amounted to \$1,098,651 in 2003.
- Reductions in the State budget meant Chippewa County received \$110,529 less in State revenue sharing in 2003, a reduction of 15%. It is anticipated that this trend will continue for the foreseeable future, as State revenues continue to fall short of projections.
- Revenue from interest earned on investments fell by more than \$72,000, reflecting national trends in interest rates. Interest revenue collected in 2003 was 22.76% under the 2002 rate.
- Charges for services increased by 4.83% in 2003 to \$5,182,242. Record volumes of real estate transfers associated with new mortgages and refinancing, and reimbursements for detention of Federal prison inmates helped enhance revenue in this category.
- Construction of a badly needed animal shelter was completed in 2003. The total cost of this project was responsible, in part, for the 28.08% increase reported in "other" expenses. Construction of the new animal shelter allows the County to house animals and administrative offices in a modern facility built for that purpose.
- Total revenue increased 13.68% in 2003, outpacing the 7.77% growth in total expenses.

**Figure A-5  
Chippewa County Net Assets  
2001 - 2003**

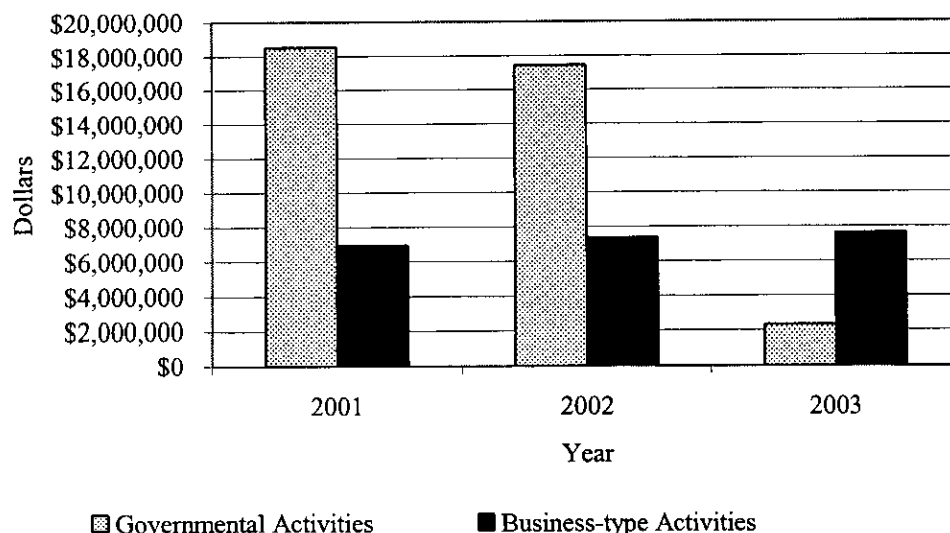


Table A-2

Changes in Net Assets  
2002 – 2003

<u>Functions / Programs</u>	<u>Governmental Activities</u>		<u>Business - Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Revenue						
Program Revenue						
Charges for services	4,964,349	5,182,242	349,247	388,096	5,313,596	5,570,338
Operating grants and contributions	-	3,282,570	-	-	-	3,282,570
Capital grants and contributions	-	127,623	-	-	-	127,623
General Revenue						
Taxes	4,867,324	5,965,983	-	-	4,867,324	5,965,983
State revenue sharing	733,521	622,992	-	-	733,521	622,992
Federal, State and local - general	3,532,544	2,069,056	-	-	3,532,544	2,069,056
Investment earnings (loss)	227,677	181,045	89,624	64,040	317,301	245,085
Other Revenue	967,125	-	-	-	967,125	-
<b>Total revenue</b>	<b>\$15,292,540</b>	<b>\$17,431,511</b>	<b>\$438,871</b>	<b>\$452,136</b>	<b>\$15,731,411</b>	<b>\$17,883,647</b>
Expenses:						
Legislative	141,865	146,620	-	-	141,865	146,620
Judicial	2,205,357	2,118,533	-	-	2,205,357	2,118,533
General government	2,471,272	2,336,978	-	-	2,471,272	2,336,978
Public safety	3,401,393	3,854,043	-	-	3,401,393	3,854,043
Public works	591,168	1,246,770	-	-	591,168	1,246,770
Health and welfare	5,969,647	5,862,855	-	-	5,969,647	5,862,855
Recreation and culture	-	208	-	-	-	208
Interest expense - unallocated	-	12,661	-	-	-	12,661
Other	863,784	747,469	51,893	-	915,677	747,469
Depreciation - unallocated	-	432,009	-	-	-	432,009
Tax Collection	-	-	-	12,205	-	12,205
<b>Total expenses</b>	<b>\$15,644,486</b>	<b>\$16,758,146</b>	<b>\$51,893</b>	<b>\$12,205</b>	<b>\$15,696,379</b>	<b>\$16,770,351</b>
Increase in net assets before transfers	(351,946)	673,365	386,978	439,931	35,032	1,113,296
Transfers	(732,006)	74,000	-	(124,000)	(732,006)	(50,000)
Increase (decrease) in net assets	(1,083,952)	747,365	386,978	315,931	(696,974)	1,063,296
Net assets - beginning of year	3,574,420	1,540,044	6,956,450	7,329,163	10,530,870	8,869,207
<b>Net assets - end of year</b>	<b>\$2,490,468</b>	<b>\$2,287,409</b>	<b>\$7,343,428</b>	<b>\$7,645,094</b>	<b>\$9,833,896</b>	<b>\$9,932,503</b>

### Governmental Activities

Revenues for the County's governmental activities increased 12.66%, while total expenses decreased at a rate of 1.82%. This compares to a 5.62% increase in revenue in 2002, and a corresponding 6.30% boost in expenditures. Table A-3 and Figure A-6 show revenue and expenditure trends from 2001 to 2003. Figures A-7 and A-8 focus exclusively on fiscal year 2003.

Table A-3

### Government Activity Revenues and Expenditures 2001 - 2003

Program Revenue			Functional Unit	Expenses		
2001	2002	2003		2001	2002	2003
-	-	-	Legislative	137,431	141,865	146,620
12,385	7,899	1,210,980	Judicial	1,942,884	2,205,357	2,118,533
-	-	891,605	General Government	2,170,057	2,471,272	2,336,978
1,247,990	1,272,608	1,600,090	Public Safety	3,221,238	3,401,393	3,854,043
540,853	591,168	147,225	Public Works	540,853	591,168	1,246,770
5,369,213	5,715,616	4,688,662	Health and Welfare	5,621,278	5,969,647	5,862,855
12,081	-	-	Recreation and Culture	12,081	-	208
38,377	39,654	53,873	Interest Expense - Unallocated	-	-	12,661
-	-	-	Other Expenditures	841,014	601,638	747,469
-	-	-	Capital Outlay	276,235	222,492	-
-	-	-	Depreciation - Unallocated	-	-	432,009
<b>\$7,220,899</b>	<b>\$7,626,945</b>	<b>\$8,592,435</b>	<b>Total</b>	<b>\$14,763,071</b>	<b>\$15,604,832</b>	<b>\$16,758,146</b>

Figure A-6

### Government Activity Revenue 2001 - 2003

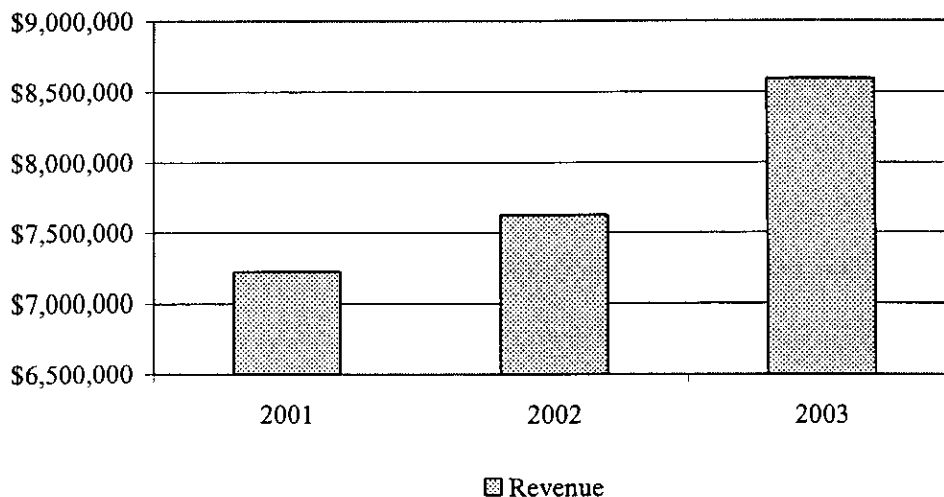




Figure A-7

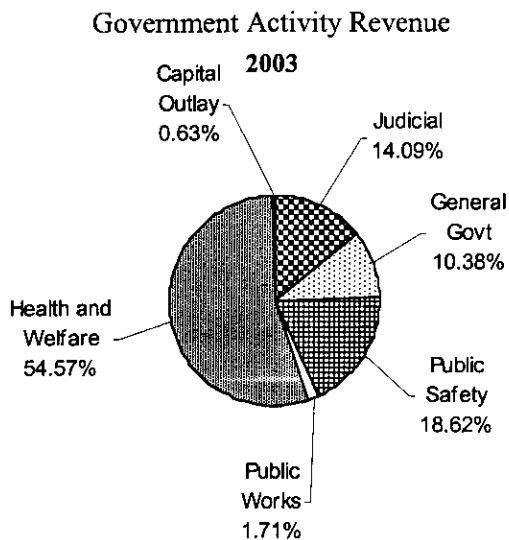
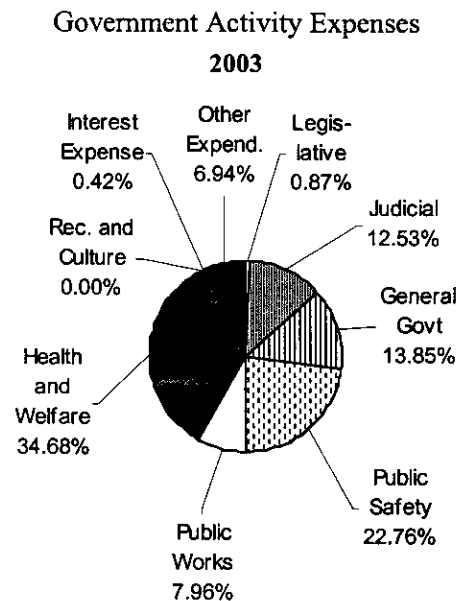


Figure A-8



Despite generating over \$8.5 million, program revenues lagged behind expenses by more than \$8.2 million. As shown in Table A-2, other revenue from taxes, state revenue sharing, investment earnings, and federal, state and local sources made up the balance.

Table A-4, below, presents the net cost of each of the County's functional units (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table A-4

**Government Activity Net Cost**

<u>Functional Unit</u>	<u>2003 Net Cost</u>
Legislative	146,620
Judicial	907,553
General Government	1,445,373
Public Safety	2,253,953
Public Works	1,099,545
Health and Welfare	1,174,193
Recreation and Culture	208
Interest Expense – Unallocated	12,661
Other	693,596
Depreciation – Unallocated	432,009
<b>Total</b>	<b><u>\$8,165,711</u></b>

The cost of all governmental activities this year was almost \$17 million. The amount that County taxpayers paid for these activities through County taxes was \$5,965,983. Some of the cost was paid by:

- Those who directly benefited from the programs (\$8,592,435); and
- The State of Michigan through revenue sharing dollars (\$622,922); and
- Other governments and organizations that subsidized certain programs with grants and contributions (\$2,069,056); and
- Earnings (interest) on County investments (\$181,045).

**Business-type Activities**

- Revenues of the County's business-type activities increased 3.02% to \$452,136, and expenses decreased 76.48% to \$12,205 (see Table A-2).

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$3,253,391, slightly below last year. Included in this year's total change in fund balance, however, is a surplus of just \$700 in the County's general fund. Furthermore, without the cash from the delinquent tax revolving fund, fund balances would be \$124,000 lower. The primary reasons for the low general fund surplus mirror those highlighted in the analysis of governmental activities. In addition, these other changes in fund balances should be noted:

- The County spent \$155,511 in 2003 on the animal shelter construction project, reducing the beginning fund balance in the capital projects fund by the same amount. Although this and other capital expenditures reduce available fund balances, they create new assets for the County in the statement of net assets (as discussed in Note 1 to the financial statements).
- In the same way, the fund balance was dramatically reduced at the end of 2002 as the County restructured financing of compensated employee absences. The maximum amount of sick time employees may accumulate was reduced from 150 days to just 168 hours. It has been County policy for at least two decades to pay employees with at least three years of seniority 100% of the value of accumulated sick days upon separation from the County. When the maximum accumulation time was reduced, employees were paid, at their current hourly rate, for the time they had accumulated. This payout was funded through the fund balance of the general fund.

**General Fund Budgetary Highlights**

Over the course of the year, the County Board revised the County budget several times. Most of these budget amendments, however, came in the final days of the fiscal year. These changes consisted primarily of increases in appropriations to prevent budget overruns.

With these adjustments, actual expenditures were \$126,955 below final budget amounts. The most significant negative variances were as follows:

- The correctional facility cost center exceeded its budget by \$82,818. However, the County entered into a contract with the federal government during 2003 that accounted for most of the \$242,635 surplus in revenue categorized as "charges for services."
- A cost overrun amounting to \$59,241 occurred in the Public Defender (indigent legal service) cost center. A contract entered into with the State of Michigan to defend state prison inmates offset a portion of this overrun.
- The computer (capital outlay) cost center exceeded the original budget by \$1,472. It was noted that a number of non-capital expenses were charged to this cost center. County management will correct this discrepancy.
- Insurance expenditures (excluding health insurance) exceeded budgeted allocations by \$17,555. Premium rate increases, particularly in liability insurance coverage, can be traced back to poor investment performance and general economic conditions.
- Expenditures categorized as "other miscellaneous" surpassed the \$17,500 budget by \$21,330. Most of this overrun was the result of a contract with a Washington D.C. firm hired to seek additional federal funds for County programs.
- An overrun of \$39,695 was noted in the Sheriff Department budget.

Total resources available for appropriation fell short of budgeted amounts by \$194,229. Factors leading to this condition included:

- Property and other tax collections were \$270,337 less than expected.
- Reductions in state funds totaled \$87,359.
- Interest on County investments fell \$112,157 short of anticipated amounts.

These shortfalls were partially offset by a 6.89% increase from federal sources, a 22.35% increase in charges for services, and a 74.29% increase in "other" revenues.

**CAPITAL ASSET AND DEBT ADMINISTRATION****Capital Assets**

At the end of 2003, the County had invested \$17.5 million in a broad range of capital assets, including sheriff patrol vehicles, buildings, land and other machinery and equipment (see Table A-5). This amount represents a net increase (including additions and deductions) of \$4,892,121, or 34.53%, over last year. However, comparison to 2002 is deceiving because a change in accounting rules required inclusion of more capital assets beginning in 2003.

Table A-5

**Chippewa County Capital Assets**

2001 – 2003

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Land	-	-	374,020
Buildings	11,785,099	11,845,165	15,610,216
Vehicles	-	-	644,380
Furniture and equipment	2,459,752	2,319,616	920,614
<b>Total</b>	<b>\$14,244,851</b>	<b>\$14,164,781</b>	<b>\$17,549,230</b>

The County's fiscal year 2004 capital budget projects spending another \$372,000 for capital projects, principally for maintenance and replacement of machinery and equipment. The County has no plans to issue additional debt to finance these projects. Rather, it is anticipated that general fund dollars will be applied to this purpose. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

**Long-Term Debt**

At year-end the County had \$14,655,500 in bonds and notes outstanding, a decrease of 7.32% over last year (see Table A-6). More detailed information about the County's long-term liabilities is presented in Note 8 to the financial statements. No new debt was added in 2003, nor does the County anticipate any new debt in 2004.

**Table A-6****Chippewa County Long-Term Debt****2001 – 2003**

	<u>2001</u>	<u>2002</u>	<u>2003</u>
General obligation bonds (backed by the County)	15,772,231	15,814,500	14,655,500
Revenue Bonds (backed by specific tax and fee revenues)	-	-	-
<b>Total</b>	<b><u>\$15,772,231</u></b>	<b><u>\$15,814,500</u></b>	<b><u>\$14,655,500</u></b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Nonagricultural employment growth mirrored population growth during 1998-2003, averaging annual gains of 3.34%.
- At the end of 2003 the unemployment rate for Chippewa County stood at 8.7% versus 7.6% a year earlier. This does not compare favorably with the state's 2003 unemployment rate of 7.3% and the national rate of 6.0%.
- Separate inflation data is not collected for Chippewa County. As reported in the Consumer Price Index, the national inflation rate in 2003 was 4.1%, and 3.4% in the Midwest region.

These indicators were taken into account when adopting the general fund budget for 2004. Amounts available for appropriation in the general fund budget are \$9,206,312, a decrease over the final 2003 budget of \$9,347,540. Property taxes (benefiting from property sales and increases in assessed valuations) and prisoner boarding (with the federal inmate agreement) are expected to lead this increase. The County will use these increases in revenues to finance programs we currently offer and the expected impact of inflation on program costs.

Budgeted expenditures are expected to rise. The largest increments are increased wage and benefit adjustments of \$288,083 based on agreements reached with the various labor unions representing County employees. The County has added no major new programs or initiatives to the 2004 budget.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Chippewa County Controller's Office, by mail at 319 Court Street, Sault Ste. Marie, MI 49783, by telephone at (906) 635-6330, or by E-mail at [tdolehanty@chippewacountymi.gov](mailto:tdolehanty@chippewacountymi.gov).

## **Basic Financial Statements**

# County of Chippewa, Michigan

## Statement of Net Assets

December 31, 2003

	Primary Government			Component
	Governmental	Business-type	Totals	Units
	Activities	Activities		
<b>ASSETS:</b>				
Cash & Investments - Unrestricted	\$ 3,025,855	\$ 5,697,780	\$ 8,723,635	\$ 1,542,879
Cash & Investments - Restricted	297,572	-	297,572	468,270
Receivables:				
Accounts	670,054	-	670,054	1,871,839
Taxes	5,878,142	1,275,915	7,154,057	505,536
Interest	33,713	124,807	158,520	878
Internal Loans	-	708,694	708,694	-
Due from Governmental Units	852,500	9,932	862,432	-
Inventories	40,478	-	40,478	739,424
Prepaid Expenses	90,714	-	90,714	88,490
Other Assets	761	-	761	-
Capital Assets (Net of Accumulated Depreciation)	8,224,313	-	8,224,313	73,983,671
<b>TOTAL ASSETS</b>	<b>\$ 19,114,102</b>	<b>\$ 7,817,128</b>	<b>\$ 26,931,230</b>	<b>\$ 79,200,987</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Internal Loans	\$ 318,030	\$ 172,034	\$ 490,064	\$ 120,205
Line of Credit	-	-	-	404,075
Accounts Payable	510,031	-	510,031	629,189
Accrued Liabilities	397,548	-	397,548	27,910
Advances	-	-	-	595,388
Accrued Interest Payable	94,857	-	94,857	-
Due to Governmental Units	38,475	-	38,475	531
Deferred Revenue	-	-	-	120,205
Other Liabilities	11,858	-	11,858	-
Notes Payable - Current	-	-	-	18,517
Bonds Payable - Current	696,500	-	696,500	23,069
Capital Leases Payable - Current	12,435	-	12,435	-
Installment Purchase Agreements Payable	-	-	-	288,306
Non-current Liabilities:				
Other Noncurrent Liabilities	95,538	-	95,538	-
Notes Payable	-	-	-	62,717
Bonds Payable	13,959,000	-	13,959,000	-
Capital Leases Payable	26,860	-	26,860	38,161
Installment Purchase Agreements Payable	-	-	-	672,629
Compensated Absences	665,561	-	665,561	533,769
<b>TOTAL LIABILITIES</b>	<b>16,826,693</b>	<b>172,034</b>	<b>16,998,727</b>	<b>3,534,671</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets (net of related debt)	(6,565,339)	-	(6,565,339)	72,476,197
Restricted for County Road	-	-	-	2,452,580
Restricted for Debt Service	-	-	-	-
Restricted for Capital Projects	6,089,356	-	6,089,356	-
Unrestricted	2,763,392	7,645,094	10,408,486	737,539
<b>TOTAL NET ASSETS</b>	<b>\$ 2,287,409</b>	<b>\$ 7,645,094</b>	<b>\$ 9,932,503</b>	<b>\$ 75,666,316</b>

See accompanying notes to financial statements.

# County of Chippewa, Michigan

## Statement of Activities For the Year Ended December 31, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 146,620	\$ -	\$ -	\$ -	\$ (146,620)	\$ -	\$ (146,620)	\$ -
Judicial	2,118,533	481,603	729,377	-	(907,553)	-	(907,553)	-
General Government	2,336,978	449,513	442,092	-	(1,445,373)	-	(1,445,373)	-
Public Safety	3,854,043	958,266	514,201	127,623	(2,253,953)	-	(2,253,953)	-
Public Works	1,246,770	111,785	35,440	-	(1,099,545)	-	(1,099,545)	-
Health & Welfare	5,862,855	3,135,871	1,552,791	-	(1,174,193)	-	(1,174,193)	-
Recreation & Culture	208	-	-	-	(208)	-	(208)	-
Interest expense - Unallocated	12,661	-	-	-	(12,661)	-	(12,661)	-
Other	747,469	45,204	8,669	-	(693,596)	-	(693,596)	-
Depreciation - Unallocated	432,009	-	-	-	(432,009)	-	(432,009)	-
Total Governmental Activities	16,758,146	5,182,242	3,282,570	127,623	(8,165,711)	-	(8,165,711)	-
<b>Business-type activities:</b>								
Tax Collection	12,205	388,096	-	-	-	375,891	375,891	-
Total Business-type Activities	12,205	388,096	-	-	-	375,891	375,891	-
Total Primary Government	\$ 16,770,351	\$ 5,570,338	\$ 3,282,570	\$ 127,623	(8,165,711)	375,891	(7,789,820)	-
<b>Component Units:</b>								
Road Commission	\$ 6,141,652	\$ 2,959,683	\$ 8,486,465	\$ -				5,304,496
Economic Development	1,561,665	-	21,948	-				(1,539,717)
Total Component Units	7,703,317	2,959,683	8,508,413	-				3,764,779
Total	\$ 24,473,668	\$ 8,530,021	\$ 11,790,983	\$ 127,623				
<b>General Revenues:</b>								
Taxes					5,965,983	-	5,965,983	505,536
State Revenue Sharing					622,992	-	622,992	-
Federal, State, & Local - General					2,069,056	-	2,069,056	1,532,337
Investment Earnings (Loss)					181,045	64,040	245,085	43,384
Transfers					74,000	(124,000)	(50,000)	50,000
Total General Revenues and Transfers					8,913,076	(59,960)	8,853,116	2,131,257
Change in Net Assets					747,365	315,931	1,063,296	5,896,036
Net Assets - Beginning					1,540,044	7,329,163	8,869,207	69,770,280
Net Assets - Ending					\$ 2,287,409	\$ 7,645,094	\$ 9,932,503	\$ 75,666,316

See accompanying notes to financial statements.



# County of Chippewa, Michigan

## Balance Sheet Governmental Funds December 31, 2003

	General	Health Department	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash & Investments - Unrestricted	\$ 134,121	\$ 1,058,528	\$ 1,833,206	\$ 3,025,855
- Restricted	-	297,572	-	297,572
Receivables:				
Accounts	7,666	597,194	65,194	670,054
Taxes	4,625,061	-	1,253,081	5,878,142
Interest	23,945	-	9,768	33,713
Due from Other Funds	432,132	-	303,195	735,327
Due from Governmental Units	378,877	181,783	291,840	852,500
Prepaid Expenses	28,782	61,932	-	90,714
Other Assets	-	-	761	761
<b>TOTAL ASSETS</b>	<b>\$ 5,630,584</b>	<b>\$ 2,197,009</b>	<b>\$ 3,757,045</b>	<b>\$ 11,584,638</b>
<b>LIABILITIES:</b>				
Due to Other Funds	\$ 777,529	\$ -	\$ 250,537	\$ 1,028,066
Accounts Payable	75,973	228,033	206,025	510,031
Accrued Liabilities	151,321	220,082	26,145	397,548
Other Liabilities	-	11,858	-	11,858
Due to Governmental Units	-	3,475	35,000	38,475
Deferred Revenue	4,625,061	176,951	1,287,344	6,089,356
Compensated Absences	-	255,913	-	255,913
<b>TOTAL LIABILITIES</b>	<b>5,629,884</b>	<b>896,312</b>	<b>1,805,051</b>	<b>8,331,247</b>
<b>FUND BALANCES:</b>				
Unreserved	700	1,300,697	1,951,994	3,253,391
<b>TOTAL FUND BALANCES</b>	<b>700</b>	<b>1,300,697</b>	<b>1,951,994</b>	<b>3,253,391</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,630,584</b>	<b>\$ 2,197,009</b>	<b>\$ 3,757,045</b>	

### Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities	8,224,313
Long-term notes & leases payable for governmental activities	(14,694,795)
Long-term liability for insurance	(95,538)
Compensated absences liability	(409,648)
Internal service funds included in governmental activities	15,187
Accrued interest expense	(94,857)
Deferred revenue recognized as current revenue	6,089,356
<b>Net assets of governmental activities</b>	<b>\$ 2,287,409</b>

# County of Chippewa, Michigan

## Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2003

	General	Health Department	Non-Major Governmental Funds	Totals Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 4,474,509	\$ -	\$ 1,095,148	\$ 5,569,657
Federal Sources	270,683	102,324	470,422	843,429
State Sources	1,699,383	934,365	485,913	3,119,661
Local Sources	-	-	728,137	728,137
Charges for Services	1,328,385	3,043,645	699,211	5,071,241
Interest & Rentals	112,843	-	68,202	181,045
Fees and Collections	38,899	-	66,848	105,747
Fines and Forfeitures	76,295	-	3,500	79,795
Other Revenue	592,583	413,849	305,736	1,312,168
<b>TOTAL REVENUES</b>	<b>8,593,580</b>	<b>4,494,183</b>	<b>3,923,117</b>	<b>17,010,880</b>
<b>EXPENDITURES:</b>				
Legislative	146,620	-	-	146,620
Judicial	2,068,647	-	5,759	2,074,406
General Government	2,255,392	-	6,799	2,262,191
Public Safety	2,291,558	-	1,483,215	3,774,773
Public Works	-	-	583,478	583,478
Health & Welfare	231,116	4,417,126	1,168,306	5,816,548
Recreation & Cultural	-	-	208	208
Capital Outlay	226,562	-	198,758	425,320
Debt Service	-	-	1,361,170	1,361,170
Other Expenditures	651,931	-	-	651,931
<b>TOTAL EXPENDITURES</b>	<b>7,871,826</b>	<b>4,417,126</b>	<b>4,807,693</b>	<b>17,096,645</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>721,754</b>	<b>77,057</b>	<b>(884,576)</b>	<b>(85,765)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	214,590	181,400	1,219,970	1,615,960
Operating Transfers Out	(1,368,125)	-	(173,835)	(1,541,960)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(431,781)</b>	<b>258,457</b>	<b>161,559</b>	<b>(11,765)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>432,481</b>	<b>1,042,240</b>	<b>1,790,435</b>	<b>3,265,156</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 700</b>	<b>\$ 1,300,697</b>	<b>\$ 1,951,994</b>	<b>\$ 3,253,391</b>

# County of Chippewa, Michigan

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2003

Net Changes in fund balances - total governmental funds \$ (11,765)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$0) exceeded depreciation (\$34,829) in the current period. (45,233)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of assets.

Principal repayments:

Bond	656,500
Capital lease	11,478

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(171,086)
Recognition of taxes received for 2003 levy year	396,326
Internal Service Activity	922
Recognition of a long-term liability for adjustments	(89,777)
Changes in net assets of governmental activities	<u>\$ 747,365</u>

# County of Chippewa, Michigan

## Statement of Net Assets Proprietary Funds December 31, 2003

	Business - Type Activities	Governmental Activities
	Enterprise Fund Tax Collections	Internal Service Fund
<b>ASSETS:</b>		
Cash & Investments	5,697,780	-
Receivables:		
Taxes	1,275,915	-
Inventories	-	40,478
Due from Other Funds	708,694	-
Due from Other Governmental Units	9,932	-
Accrued Interest Receivables	124,807	-
<b>TOTAL ASSETS</b>	<b>\$ 7,817,128</b>	<b>\$ 40,478</b>
<b>LIABILITIES:</b>		
Due to Other Funds	172,034	25,291
<b>TOTAL LIABILITIES</b>	<b>172,034</b>	<b>25,291</b>
<b>NET ASSETS:</b>		
Unrestricted	7,645,094	15,187
<b>TOTAL NET ASSETS</b>	<b>\$ 7,645,094</b>	<b>\$ 15,187</b>

# County of Chippewa, Michigan

## Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2003

	Business - Type Activities Enterprise Fund Tax Collections	Governmental Activities Internal Service Fund
<b>OPERATING REVENUES:</b>		
Charges for Services	\$ 388,096	\$ 24,305
Interest & Rentals	36,346	-
Total Operating Revenues	424,442	24,305
<b>OPERATING EXPENSES:</b>		
Supplies	-	23,383
General and Administrative	12,205	-
Total Operating Expenses	12,205	23,383
<b>OPERATING INCOME (LOSS)</b>	412,237	922
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest Revenue	27,694	-
Operating Transfers In	3,773,171	-
Operating Transfers Out	(3,897,171)	-
Total Non-operating Expenses	(96,306)	-
<b>CHANGE IN NET ASSETS</b>	315,931	922
<b>NET ASSETS, JANUARY 1</b>	7,329,163	14,265
<b>NET ASSETS, DECEMBER 31</b>	\$ 7,645,094	\$ 15,187

# County of Chippewa, Michigan

## Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2003

	Business - Type Activities	Governmental Activities
	Enterprise Fund Tax Collections	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Customers	\$ 577,594	\$ 21,119
Payments to Suppliers	(12,205)	(25,784)
Payments to Employees	-	-
Internal Activity - Payments to Other Funds	(543,771)	2,781
Other Receipts (Payments)	-	-
Net Cash Provided (Used) by Operating Activities	21,618	(1,884)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating Transfers In	3,773,171	-
Operating Transfers Out	(3,897,171)	-
Appropriations	-	-
Nonoperating Grants	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(124,000)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from Line of Credit	-	-
Capital Grants	-	-
Acquisition and Construction of Capital Assets (Net)	-	-
Interest Paid on Notes and Leases Payable	-	-
Principal Paid on Notes and Leases Payable	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Income	27,694	-
Net Cash Provided (Used) by Investing Activities	27,694	-
Net Increase (Decrease) in Cash and Cash Equivalents	(74,688)	(1,884)
Balances - Beginning of the Year	5,772,468	1,884
Balances - End of the Year	5,697,780	-
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	412,237	922
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization Expense	-	-
Change in Assets and Liabilities:		
Receivables (net)	-	-
Taxes Receivable	134,989	-
Accrued Interest Receivable on Taxes	18,669	-
Accrued Interest Receivable on Deposits	(14,904)	-
Inventory	-	(3,611)
Prepaid Expenses	-	-
Due from Other Funds	(670,584)	-
Due From Other Governmental Units	3,218	425
Accounts and Other Payables	-	-
Due to Other Funds	137,993	2,781
Due to Other Governmental Units	-	(2,401)
Deferred Revenue	-	-
Net Cash Provided by Operating Activities	21,618	(1,884)
Other Non-Cash Transactions:		
Purchase of Capital Assets with Grants	-	-

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2003**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash & Investments:	
Unrestricted	\$ 1,666,916
Receivables:	
Other Receivables	<u>195,639</u>
<b>TOTAL ASSETS</b>	<u><u>1,862,555</u></u>
<b>LIABILITIES:</b>	
Due to Other Funds	98,425
Due to Other Governmental Units	329,215
Other Liabilities	7,093
Undistributed Tax Collections	1,034,911
Undistributed Receipts	<u>392,911</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 1,862,555</u></u>

# County of Chippewa, Michigan

## Statement of Net Assets Component Units December 31, 2003

	Road Commission	Economic Development Corporation	Totals
<b>ASSETS:</b>			
Cash & Investments - Unrestricted	\$ 1,179,615	\$ 363,264	\$ 1,542,879
Cash & Investments - Restricted	-	468,270	468,270
Receivables:			
Interest	-	878	878
Accounts	1,644,333	227,506	1,871,839
Taxes	505,536	-	505,536
Inventory	726,488	12,936	739,424
Prepaid Expense	88,490	-	88,490
Capital Assets (net)	54,885,767	19,097,904	73,983,671
<b>TOTAL ASSETS</b>	<b>\$ 59,030,229</b>	<b>\$ 20,170,758</b>	<b>\$ 79,200,987</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Line of Credit	\$ -	\$ 404,075	\$ 404,075
Accounts Payable	589,263	39,926	629,189
Due to Governmental Units	531	-	531
Amounts Due to Primary Government	-	120,205	120,205
Deferred Revenue	-	120,205	120,205
Accrued Liabilities	27,910	-	27,910
Advances	595,388	-	595,388
Notes Payable - Current	-	18,517	18,517
Leases Payable - Current	-	23,069	23,069
Installment Purchase Agreements Payable	288,306	-	288,306
<b>Noncurrent Liabilities:</b>			
Notes Payable	-	62,717	62,717
Leases Payable	-	38,161	38,161
Compensated Absences	478,790	54,979	533,769
Installment Purchase Agreements Payable	672,629	-	672,629
<b>TOTAL LIABILITIES</b>	<b>2,652,817</b>	<b>881,854</b>	<b>3,534,671</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	53,924,832	18,551,365	72,476,197
Restricted for County Road	2,452,580	-	2,452,580
Unrestricted	-	737,539	737,539
<b>TOTAL NET ASSETS</b>	<b>56,377,412</b>	<b>19,288,904</b>	<b>75,666,316</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 59,030,229</b>	<b>\$ 20,170,758</b>	<b>\$ 79,200,987</b>

See accompanying notes to financial statements.



# County of Chippewa, Michigan

## Statement of Activities Component Units For the Year Ended December 31, 2003

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Road Commission	Economic Development Corporation
<b>Road Commission:</b>						
Public Works	\$ 6,141,652	\$ 2,959,683	\$ -	\$ -	\$ 5,304,496	\$ -
<b>Economic Development Corporation</b>						
Health & Welfare	1,561,665	21,948	-	-	-	(1,539,717)
Total Component Units	\$ 7,703,317	\$ 8,508,413	\$ -	\$ -	5,304,496	(1,539,717)
						3,764,779
<b>General Revenues:</b>						
Taxes					505,536	-
Investment Earnings					25,313	18,071
Other					69,245	1,463,092
Transfers					-	50,000
Total General Revenues and Transfers					600,094	1,531,163
						2,131,257
Change in Net Assets					5,904,590	(8,554)
Net Assets - Beginning					50,472,822	19,297,458
<b>Net Assets - Ending</b>					<b>\$ 56,377,412</b>	<b>\$ 19,288,904</b>
						69,770,280
						\$ 75,666,316

See accompanying notes to financial statements.

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## **Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County of Chippewa, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

**A – Reporting Entity:****Financial Reporting Entity**

The County of Chippewa was incorporated under the laws of the State of Michigan in 1877 and operates under an elected Commission form of government. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the County of Chippewa (primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationship with the County.

**Component Units:**

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

**Blended Component Units**

Chippewa County Building Authority – The Authority is an entity legally separate from the County. The Authority is governed by a board, appointed by the Commission and is reported as if it were part of the County's operations because its primary purpose is the procurement and management of debt financing for the County.

Chippewa County Health Department – The members of the governing body of the Chippewa County Health Department are appointed by the County Commission. The Health Department provides limited health services to residents of Chippewa County. The Chippewa County Health Department is a Special Revenue fund of the County of Chippewa, Michigan, and is presented on its fiscal year end, September 30, 2003.

**Discretely Presented Component Units**

The component units' columns in the combined financial statements include the financial data of the County's two other component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Chippewa County Road Commission – The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, travel, and per diem rates, bonded debt must be approved by the County Commission.

Chippewa County Economic Development Corporation – The members of the governing board are jointly appointed by the County and other governmental units. The Corporation's capital budgets are subject to approval of the County Commission. The county generally is liable for disallowed grant expenditures as well.

Condensed Financial Statements – The combining financial statements present condensed financial statements of each of the two discretely presented component units. Complete financial statements of the individual component units can be obtained directly from their administrative offices.

**Discretely Presented Component Units Administrative Offices:**

Chippewa County Road Commission  
4139 Mackinac Trail  
Sault Ste. Marie, MI 49783

Chippewa County Economic Development Corporation  
119 Cully Road, Bldg. 119  
Kincheloe, MI 49788

**Blended Component Unit Administrative Offices:**

Chippewa County Health Department  
508 Ashmun, Suite 120  
Sault Ste. Marie, MI 49783

**Multi-County Agency**

The County participates jointly in the operation of the Hiawatha Behavioral Health Authority with Mackinac and Schoolcraft Counties. All financial operations of the Authority are recorded in Schoolcraft County. The funding formula requires the County to provide approximately 60% of the budget appropriation requirement, which amounted to \$147,800 for the year ended December 31, 2003.

The County participates jointly in the operation of the Luce-Chippewa County Family Independence Agency (a special revenue fund of Chippewa County). All financial operations of the Agency are recorded in Chippewa County.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Jointly Organized Unit**

The Chippewa County – Sault Ste. Marie Joint Building Authority, an entity legally separated from the County, is governed by a three-member board appointed by the City and County Commissions. For financial reporting purposes, the Authority is reported as a separate unit because its purpose is to finance and maintain joint building operations. The Authority operates on an August 31 fiscal year.

**B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of account, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Taxes Receivable – Current or Property Taxes**

The County of Chippewa property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the County of Chippewa as of the preceding December 31<sup>st</sup>.

Although the County of Chippewa 2003 ad valorem tax is levied and collectible on December 1, 2002, it is the County of Chippewa's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the County of Chippewa totaled \$759,489,117, on which ad valorem taxes levied consisted of 6.0897 mills for the County operating, 0.4250 mills for fire/ambulance services, 0.9864 mills for roads, 0.4951 mills for recycling, 0.6000 mills for debt services, raising \$4,625,061 for operating, \$322,783 for fire/ambulance services, \$749,160 for roads, \$376,023 for recycling, and \$554,275 for debt service.

The County reports the following major governmental funds:

**General Fund**

This is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Health Department**

This Fund accounts for health services and related grant funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The county reports the following major proprietary fund:

**Tax Collection Fund**

This fund accounts for property tax administration within the county.

Additionally, the County reports the following fund types:

**Internal Service Fund**

This fund accounts for central purchases as provider to other departments of the government on a cost reimbursement basis.

**Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is generally allocated to each fund based on the average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaids Items – Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds recorded as expenditures when consumed rather than when purchased. Inventories consist primarily of paper and office supplies. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both governmental-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads and Bridges	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave) – It is the County of Chippewa’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick pay is accrued when incurred in the government-wide financial statements for employees with three years or more of service with the County of Chippewa. All vacation pay is accrued when incurred in the government-wide financial statements.

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with Statement of Financial Accounting Standards 43, no liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized for that portion of accumulating sick-leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The County Controller submits to the County Board of Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including formal public hearings conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year, the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Chippewa County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

- e. The Chippewa County Controller is authorized by means of County policy to make certain transfers:
  - 1) The Controller receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.
  - 2) The following considerations must be reviewed in determination of transfer approvals:
    - (a) Is the transfer consistent with the intent of the Board of Commissioners in adopting the annual budget?
    - (b) Will the transfer maintain the financial integrity of the County?
    - (c) Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Controller will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the County Controller and submitted to the Finance Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Controller's office through a budget revision.

- f. The County of Chippewa adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets were adopted in substance on the modified accrual basis which is consistent with U.S. generally accepted accounting principles. Budgeted amounts reported in the financial statements are as amended by the County Board of Commissioners which was materially the same as originally adopted.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

- h. General Fund budgeted appropriations to other County departments/budgetary units unexpended at the end of the current fiscal operating year revert to the County General Fund and all budgets lapse at year end.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principals require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the County incurred expenditures in the General Fund which were in excess of the amount appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance</u>
General Fund – Public Safety	\$ 2,213,999	\$ 2,291,558	\$ (77,559 )

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents					
-Unrestricted	\$ 2,954,494	\$ 5,697,780	\$ 1,666,916	\$ 10,319,190	\$ 1,531,683
-Restricted	297,572	-	-	297,572	450,643
Investments - Unrestricted	<u>71,361</u>	<u>-</u>	<u>-</u>	<u>71,361</u>	<u>28,823</u>
Total	<u>\$ 3,323,427</u>	<u>\$ 5,697,780</u>	<u>\$ 1,666,916</u>	<u>\$ 10,688,123</u>	<u>\$ 2,011,149</u>

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

The Breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 10,613,682	\$ 1,981,676
Investment in Securities, Mutual Funds and Similar Vehicles	71,361	28,823
Petty Cash and Cash on Hand	<u>3,080</u>	<u>650</u>
Total	<u>\$ 10,688,123</u>	<u>\$ 2,011,149</u>

The bank balance of the primary government's deposits is \$12,048,805, of which \$385,529 is covered by federal depository insurance. The component units' deposits had a bank balance of \$2,142,417, of which \$360,756 was covered by federal depository insurance.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Investments are categorized into these three categories of credit risk:

- 1. Insured or registered, or securities held by the County or its agent in the government's name;
- 2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
- 3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the County's name.

At year-end, the government's investment balances were categorized as follow:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary Government:				
Repurchase Agreements	\$ -	\$ 71,361	\$ -	\$ 71,361
Total Primary Government	\$ -	\$ 71,361	\$ -	71,361
Component Units:				
Investments Not Subject to Categorization:				
Mutual Funds				28,823
Total				\$ 100,184

The County's deposits and investment policy are in accordance with statutory authority.

**NOTE 4 - RECEIVABLES**

Receivables as of year-end for the government's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Health Department	Non-Major and Other Funds	Total
Taxes Receivable	\$ 4,625,061	\$ -	\$ 1,253,081	\$ 5,878,142
Accounts Due from Other	7,666	597,194	65,194	670,054
Governments	378,877	181,783	291,840	852,500
Intergovernmental	432,132	-	303,195	735,327
Interest and Other Receivables	23,945	-	9,768	33,713
Net Receivables	<u>\$ 5,467,681</u>	<u>\$ 778,977</u>	<u>\$ 1,923,078</u>	<u>\$ 8,169,736</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2003, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 374,020	\$ -	\$ -	\$ 374,020
<i>Capital assets being depreciated:</i>				
Buildings & improvements	15,310,216	300,000	-	15,610,216
Furniture & Equipment	887,334	33,280	-	920,614
Vehicles	623,609	88,325	67,554	644,380
Subtotal	16,821,159	421,605	67,554	17,175,210
Less accumulated depreciation	(8,858,079)	(466,838)	-	(9,324,917)
Net Capital Assets Being Depreciated	7,963,080	(45,233)	(67,554)	7,850,293
Governmental Activity Capital Assets, Net of Depreciation	<u>\$ 8,337,100</u>	<u>\$ (45,233)</u>	<u>\$ (67,554)</u>	<u>\$ 8,224,313</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Health & Welfare	\$ 34,829
Unallocated	<u>432,009</u>
Total Governmental Activities	<u>\$ 466,838</u>



**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	2000 Tax Revolving	\$ 7,110
General	2002 Tax Revolving	124,000
General	Central Stores	25,291
General	Payroll Revolving	98,425
General	Enhanced 911	120,204
General	County Liaison	12,731
General	Sheriffs Road Patrol	36,316
General	Law Library	79
General	Youth Substance Abuse	300
General	Hazardous Waste Facility	7,675
Ambulance	Emergency Services	57,965
Ambulance	OES	15,267
Construction Code	General	3,164
Probate Child Care	General	106,276
Law Library	General	319
Tax Revolving Admin	2002 Tax Revolving	9,064
Tax Revolving Admin	2001 Tax Revolving	6,987
Tax Revolving Admin	Prior Years Taxes	7,113
Tax Revolving Admin	1999 Tax Revolving	11,852
Tax Revolving Admin	2002 Tax revolving	3,094
2002 Tax Revolving	Homestead Tax	2,814
2002 Tax Revolving	General	<u>667,770</u>
	Totals	<u>\$ 1,323,816</u>
<b>Due To/From Primary Government and Component Units</b>		
Primary Government -	Component Unit -	
Enhanced 911	EDC	<u>\$ 120,205</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund Transfers

	TRANSFERS TO				
	General Fund	Health Dept.	Non-Major Governmental	All Others	Total
General Fund	\$ -	\$ 181,400	\$ 1,186,725	\$ -	\$ 1,368,125
Non-Major Governmental	90,590	-	33,245	50,000	173,835
All Other	124,000	-	-	3,773,171	3,897,171
Total	\$ 214,590	\$ 181,400	\$ 1,219,970	\$ 3,823,171	\$ 5,439,131

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - LEASES

Capital Leases – The Health Department and EDC has entered into lease agreements as lessee for financing the purchase of computers and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

Year Ended June 30	Health Department	EDC
2004	\$ 15,111	\$ 23,069
2005	15,111	24,408
2006	13,858	13,753
Total Minimum Lease Payments	44,080	61,230
Less: Amount Representing Interest	(4,785)	(11,638)
Present Value	\$ 39,295	\$ 49,592

**NOTE 8 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amount levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>							
General Obligation Bonds							
1977 Superior Twp. Water & Sewer Bonds	5.00%	2016	\$ 75,000	\$ -	\$ (5,000)	\$ 70,000	\$ 5,000
2000 Chippewa Co. Water Supply System Bonds (Series A)	4.50%	2040	585,000	-	(6,000)	579,000	6,000
2000 Chippewa Co. Water Supply System Bonds (Series B)	4.50%	2040	27,000	-	(500)	26,500	500
1995 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	5.04%	2015	2,650,000	-	(145,000)	2,505,000	150,000
1995 Building Authority Bonds	5.47%	2015	1,515,000	-	(80,000)	1,435,000	85,000
1998 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	4.29%	2018	2,630,000	-	(90,000)	2,540,000	90,000
1999 Building Authority Bonds	4.30%	2018	4,060,000	-	(125,000)	3,935,000	140,000
2000 Building Authority Bonds	4.83%	2009	1,170,000	-	(145,000)	1,025,000	155,000
2001 Chippewa County Water Supply and Sewage Disposal System Bonds	3.50%	2022	<u>2,600,000</u>	<u>-</u>	<u>(60,000)</u>	<u>2,540,000</u>	<u>65,000</u>
Total Governmental Activities			<u>\$ 15,312,000</u>	<u>\$ -</u>	<u>\$ (656,500)</u>	<u>\$ 14,655,500</u>	<u>\$ 696,500</u>

**NOTE 8 - LONG-TERM DEBT**

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 696,500	\$ 674,426
2005	742,500	643,232
2006	807,500	628,827
2007	812,500	572,091
2008	857,500	533,949
2009-2013	4,240,500	2,073,265
2014-2018	4,991,500	1,037,670
2019-2023	1,109,500	226,903
2024-2028	87,500	80,022
2029-2033	110,000	57,828
2034-2038	136,000	30,243
2039-2040	<u>64,000</u>	<u>2,902</u>
Total	<u>\$ 14,655,500</u>	<u>\$ 6,561,358</u>

**Compensated Absences – County General Employees**

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. The accumulated sick leave earned by each employee during the current year is credited to each employee at year end that has three or more years of service.

A summary of accrued compensated absences at December 31, 2003 is as follows:

Vacation	\$ 203,836
Sick Leave	457,905
Compensation Time	<u>3,820</u>
TOTALS	<u>\$ 665,561</u>

**NOTE 9 - SEGMENT INFORMATION:**

Segment information for the year ended December 31, is as follows:

	<u>Economic Development</u>
Operating revenue	\$ 1,463,092
Depreciation	163,651
Operating income (loss)	(73,819)
Net income	(8,554)
Total assets	20,170,758
Net working capital	346,858
Total equity	19,288,904

**NOTE 10 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provide to employees. The County has purchased commercial insurance for (specify types of insurance) claims and participates a risk pool for claims relating to the County is uninsured for (specify) claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

The County estimates the liability for (specify) claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years was not available.

**NOTE 11 - CONTINGENT LIABILITIES**

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2003.

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS**

The County provides post retirement hospitalization to employees of the government pursuant to the terms of union contracts. Additionally, some elected County officials who served more than 20 years and are retired receive post retirement hospitalization, pursuant to Board of Commissioner's resolution.

The County funds 100% of the premiums of the policies on a pay-as-you-go basis. During 2003, the County paid hospitalization premiums for qualified individuals. Actuarial valuations of estimated future cost were not available.

**NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

**NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employee to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2002 is as follows:

General – Other	7.99%
Sheriff	9.54%
Health Department	7.25%
Employment, Training	6.20%
General – Economic	6.76%
Economic Officials	3.76%

Annual Pension Cost

During the fiscal year ended December 31, 2003, the County's contributions totaling \$471,809 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

**NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Three year trend information as of December 31, follows:

	2000	2001	2002
Actuarial Value of Assets	\$ 15,206,302	\$ 16,467,208	\$ 17,113,545
Actuarial Accrued Liability	16,022,011	18,117,222	19,641,138
Unfunded AAL	815,709	1,650,014	2,527,593
Funded Ratio	95%	91%	87%
Covered Payroll	5,364,949	5,995,031	6,362,413
UAAL as a Percentage of Covered Payroll	15%	28%	40%

**ROAD COMMISSION**

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which require employees to contribute 0% to 10% to the plan. The Road Commission is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 1, 2001 is as follows:

General	11.14%
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**NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Annual Pension Cost

During the fiscal year ended December 31, 2003, the Commission's contributions totaling \$209,343 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Actuarial Value of Assets	\$ 8,915,213	\$ 9,294,205	\$ 9,255,579
Actuarial Accrued Liability	9,560,840	10,559,689	11,187,090
Unfunded AAL	645,627	1,265,484	1,931,511
Funded Ratio	93%	88%	83%
Covered Payroll	2,144,379	2,162,460	2,274,735
UAAL as a Percentage of Covered Payroll	30%	59%	85%

**NOTE 14 - JOINTLY GOVERNED UNIT**

The Chippewa County-Sault Ste. Marie Joint Building Authority is a jointly governed organization in which the County has no equity interest. The county has remitted rental payments during 2003 to the Authority in the amount of \$0.

**NOTE 15 - DEFERRED COMPENSATION PLAN**

Chippewa County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Chippewa County's financial Statements.

**NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE:**

Effective January 1, 2003, the County implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

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## **Required Supplementary Information**

# County of Chippewa, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	\$ 4,744,846	\$ 4,744,846	\$ 4,474,509	\$ (270,337)
Federal Sources	253,237	313,237	270,683	(42,554)
State Sources	1,786,742	1,642,793	1,699,383	56,590
Charges for Services	1,102,750	1,187,029	1,328,385	141,356
Interest & Rentals	225,000	225,000	112,843	(112,157)
Fees & Collections	25,000	25,000	38,899	13,899
Fines & Forfeitures	60,000	60,000	76,295	16,295
Other Revenue	485,654	589,904	592,583	2,679
TOTAL REVENUES	8,683,229	8,787,809	8,593,580	(194,229)
EXPENDITURES:				
Legislative:				
Board of Commissioners	130,291	147,791	146,620	1,171
Judicial:				
Circuit Court	567,204	567,203	546,018	21,185
District Court	465,545	465,545	444,162	21,383
Friend of the Court	356,573	356,574	359,202	(2,628)
Jury Board	2,450	2,450	2,561	(111)
Probate Court	389,265	389,265	367,842	21,423
Indigent legal fees	252,641	317,641	311,882	5,759
Bailiff	30,926	30,926	36,980	(6,054)
Total Judicial	2,064,604	2,129,604	2,068,647	60,957
General Government:				
County Controller	259,248	259,247	261,394	(2,147)
Data Processing	206,313	206,313	189,021	17,292
Elections	5,000	5,000	1,334	3,666
County Clerk	204,926	204,926	202,806	2,120
Equalization	175,606	175,606	169,593	6,013
Prosecuting Attorney	387,591	387,592	389,965	(2,373)
Support Coordinator	86,612	86,612	85,210	1,402
Crime Victim Advocate	42,332	42,332	40,741	1,591
Remonumentation	125,027	140,027	128,273	11,754
Register of Deeds	245,652	245,652	241,127	4,525
Treasurer	210,699	213,698	210,673	3,025
Cooperative Extension	54,108	74,358	51,632	22,726
Buildings & Grounds	255,317	277,915	235,102	42,813
Drain Commission	1,344	1,344	1,078	266
Soil Conservation District	22,000	22,000	22,000	-
Surveyor	23,656	23,656	25,443	(1,787)
Total General Government	2,305,431	2,366,278	2,255,392	110,886

# County of Chippewa, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Public Safety:</b>				
Sheriff	696,338	692,706	732,401	(39,695)
Concealed Weapons Board	9,697	9,697	9,439	258
S.A.N.E	76,463	76,463	78,921	(2,458)
EUP Crisis Resonse Team	500	500	500	-
Marine	33,848	37,248	29,348	7,900
Northern Int'l. Crime Stopper	750	750	750	-
Jail	1,136,898	1,173,248	1,219,716	(46,468)
Regional Planning Commission	16,960	16,960	16,960	-
Snowmobile patrol grant	29,667	26,499	24,524	1,975
O.R.V. Grant	11,052	11,051	12,895	(1,844)
Animal Control	156,447	156,447	158,904	(2,457)
A.T.V. Grant	12,430	12,430	7,200	5,230
<b>Total Public Safety</b>	<b>2,181,050</b>	<b>2,213,999</b>	<b>2,291,558</b>	<b>(77,559)</b>
<b>Health &amp; Welfare:</b>				
Contagious Diseases	4,000	4,000	409	3,591
Health Department	6,000	6,000	8,370	(2,370)
Substance Abuse	74,987	77,526	77,526	-
Medical Examiner	15,500	20,500	23,970	(3,470)
Health Department	20,061	20,061	16,362	3,699
Veterans Affairs	70,862	70,862	62,479	8,383
Senior Citizen Nutrition Program	42,000	42,000	42,000	-
<b>Total Health &amp; Welfare</b>	<b>233,410</b>	<b>240,949</b>	<b>231,116</b>	<b>9,833</b>
<b>Recreational and cultural:</b>				
UPTRA	500	500	-	500
<b>Other Expenditures:</b>				
Retirees Hospitalization	210,000	210,000	216,449	(6,449)
Insurance	85,000	115,000	132,555	(17,555)
Rural Bus Program	25,000	25,000	25,000	-
Legal Services	7,500	7,500	4,222	3,278
Audit	21,900	26,228	26,228	-
Telephone	10,000	10,000	7,584	2,416
Postage Meter	500	500	292	208
Other Miscellaneous	17,500	64,500	56,330	8,170
Cost Allocation Plan	5,000	5,000	5,000	-
PILT - Townships	30,000	30,000	30,000	-
Appropriations	152,800	152,800	148,271	4,529
<b>Total Other Expenditures</b>	<b>565,200</b>	<b>646,528</b>	<b>651,931</b>	<b>(5,403)</b>

# County of Chippewa, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Capital Outlay:				
Sheriff	2,000	29,500	24,534	4,966
Marine	4,000	-	-	-
O.R.V. Grant	3,132	3,132	175	2,957
Record Copier	30,000	30,000	10,859	19,141
Postage Meter	5,000	5,000	3,425	1,575
Computer	35,000	92,000	93,472	(1,472)
Office Furniture & Equipment	-	-	691	(691)
Vehicles	135,000	93,500	93,406	94
Total Capital Outlay	214,132	253,132	226,562	26,570
TOTAL EXPENDITURES	7,694,618	7,998,781	7,871,826	126,955
EXCESS OF REVENUES OVER EXPENDITURES	988,611	789,028	721,754	(67,274)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	87,480	91,624	214,590	122,966
Operating Transfers Out	(1,399,269)	(1,348,759)	(1,368,125)	(19,366)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (323,178)	\$ (468,107)	(431,781)	\$ 36,326
FUND BALANCE, JANUARY 1			432,481	
FUND BALANCE, DECEMBER 31			\$ 700	

# County of Chippewa, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Health Department Year Ended September 30, 2003

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Federal Sources	\$ 55,951	\$ 88,042	\$ 102,324	\$ 14,282
State Sources	745,776	776,248	934,365	158,117
Charges for Services	3,399,400	2,839,845	3,043,645	203,800
Refunds & Reimbursements	200,288	230,088	232,909	2,821
Other Revenue	341,160	302,879	362,340	59,461
TOTAL REVENUES	4,742,575	4,237,102	4,675,583	438,481
EXPENDITURES:				
Health and Welfare	4,742,575	4,236,278	4,417,126	(180,848)
TOTAL EXPENDITURES	4,742,575	4,236,278	4,417,126	(180,848)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ -	\$ 824	258,457	\$ (257,633)
FUND BALANCE, OCTOBER 1			1,042,240	
FUND BALANCE, SEPTEMBER 30			\$ 1,300,697	



### **Other Supplemental Information**

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2003

		Special Revenue Funds							
50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Ambulance	Office of Emergency Services	Emergency Telephone System	
\$ 8,310	\$ -	\$ 1,557	\$ 2,488	\$ 25	\$ 390	\$ 169,041	\$ 50	\$ 82,377	
-	-	-	-	-	-	-	-	50,331	
-	-	-	-	-	-	322,783	-	-	
-	-	-	-	-	-	-	-	-	
-	3,164	-	-	-	-	73,232	-	120,204	
-	-	83,493	-	-	-	-	119,235	-	
-	135	-	-	-	-	-	-	136	
\$ 8,310	\$ 3,299	\$ 85,050	\$ 2,488	\$ 25	\$ 390	\$ 565,056	\$ 119,285	\$ 253,048	
TOTAL ASSETS									
LIABILITIES:									
Accounts Payable	240	\$ 72	\$ 83,493	\$ -	\$ -	\$ -	\$ 3,642	\$ 2,123	
Due to Other Funds	-	-	-	-	-	-	73,232	120,204	
Due to Governmental Units	-	-	-	-	-	-	-	-	
Accrued Liabilities	-	3,226	-	-	-	-	1,783	13,853	
Deferred Revenue	-	-	-	-	-	322,783	-	-	
240	3,298	83,493	-	-	-	322,783	78,657	136,180	
TOTAL LIABILITIES									
FUND BALANCES:									
Unreserved	8,070	1	1,557	2,488	25	390	40,628	116,868	
TOTAL FUND BALANCES	8,070	1	1,557	2,488	25	390	40,628	116,868	
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,310	\$ 3,299	\$ 85,050	\$ 2,488	\$ 25	\$ 390	\$ 119,285	\$ 253,048	

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2003

Special Revenue Funds										
	ADC Child Support	Community Service	Correctional Facility Maintenance	Hazardous Waste Facility	Superior Twp 2000 Improvements Maint	Chippewa County Recycling	Office of Community Correction	Register of Deeds Automation	Chippewa County Liason Officer	
ASSETS:										
Cash & Investments - Unrestricted	\$ 4,815	\$ 2,565	\$ 192,521	\$ -	\$ 27,947	\$ 267,720	\$ 15,913	\$ 36,626	\$ -	-
Accounts Receivable	-	-	-	7,675	-	-	7,188	-	-	-
Taxes Receivable	-	-	-	-	-	376,023	-	-	-	-
Accrued Interest on Deposits	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-	-	15,529
Other Assets	-	-	281	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 4,815	\$ 2,565	\$ 192,802	\$ 7,675	\$ 27,947	\$ 643,743	\$ 23,101	\$ 36,626	\$ 15,529	
LIABILITIES:										
Accounts Payable	\$ -	\$ -	\$ 6,646	\$ -	\$ -	\$ -	\$ 1,224	\$ -	\$ -	-
Due to Other Funds	-	-	-	7,675	-	-	-	-	-	12,731
Due to Governmental Units	-	-	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	1,781	-	-	2,798
Deferred Revenue	-	-	-	-	-	376,023	-	-	-	-
TOTAL LIABILITIES	-	-	6,646	7,675	-	376,023	3,005	-	-	15,529
FUND BALANCES:										
Unreserved	4,815	2,565	186,156	-	27,947	267,720	20,096	36,626	-	-
TOTAL FUND BALANCES	4,815	2,565	186,156	-	27,947	267,720	20,096	36,626	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,815	\$ 2,565	\$ 192,802	\$ 7,675	\$ 27,947	\$ 643,743	\$ 23,101	\$ 36,626	\$ 15,529	

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2003

	Special Revenue Funds									
	Law		Sheriff Park		Sheriff Special		Law		Youth Substance	
	Secondary Road Patrol	Enforcement Training	Patrol	Projects	Library	Abuse Assistance	Chippewa County FIA Appropriation	FIA Basic Grant	Family Independence Agency	
<b>ASSETS:</b>										
Cash & Investments - Unrestricted	\$ -	\$ 7,867	\$ 9,532	\$ 4,627	\$ 3,220	\$ -	\$ 933	\$ 5,565	\$ 44,626	
Accounts Receivable	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	-	-
Accrued Interest on Deposits	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	319	-	-	-	-	-
Due from Governmental Units	39,020	-	-	-	-	300	-	-	34,263	
Other Assets	-	-	-	-	209	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 39,020</b>	<b>\$ 7,867</b>	<b>\$ 9,532</b>	<b>\$ 4,627</b>	<b>\$ 3,748</b>	<b>\$ 300</b>	<b>\$ 933</b>	<b>\$ 5,565</b>	<b>\$ 78,889</b>	
<b>LIABILITIES:</b>										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Due to Other Funds	36,316	-	-	-	79	300	-	-	-	
Due to Governmental Units	-	-	-	-	-	-	-	-	35,000	
Accrued Liabilities	2,704	-	-	-	-	-	-	-	-	
Deferred Revenue	-	-	-	-	-	-	-	-	34,263	
<b>TOTAL LIABILITIES</b>	<b>\$ 39,020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 79</b>	<b>\$ 300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 69,263</b>	
<b>FUND BALANCES:</b>										
Unreserved	-	7,867	9,532	4,627	3,669	-	933	5,565	9,626	
<b>TOTAL FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 7,867</b>	<b>\$ 9,532</b>	<b>\$ 4,627</b>	<b>\$ 3,669</b>	<b>\$ -</b>	<b>\$ 933</b>	<b>\$ 5,565</b>	<b>\$ 9,626</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 39,020</b>	<b>\$ 7,867</b>	<b>\$ 9,532</b>	<b>\$ 4,627</b>	<b>\$ 3,748</b>	<b>\$ 300</b>	<b>\$ 933</b>	<b>\$ 5,565</b>	<b>\$ 78,889</b>	

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2003

	Special Revenue Funds				Debt Service Funds					
	FIA Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse	2001 City of SSM Debt Retirement	Superior Twp 2000 Improvement Bond Reserve	Superior Township Improvements Debt	1998 City of SSM Debt Retirement	Jail Expansion Bond Retirement	
<b>ASSETS:</b>										
Cash & Investments - Unrestricted	\$ -	\$ 2,309	\$ 178	\$ 3,279	\$ -	\$ 10,380	\$ -	\$ -	\$ 636,788	
Accounts Receivable	-	-	-	-	-	-	-	-	-	
Taxes Receivable	-	-	-	-	-	-	-	-	554,275	
Accrued Interest on Deposits	-	-	-	-	-	-	-	-	8,993	
Due from Other Funds	-	106,276	-	-	-	-	-	-	-	
Due from Governmental Units	-	-	-	-	-	-	-	-	-	
Other Assets	-	-	-	-	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 108,585</b>	<b>\$ 178</b>	<b>\$ 3,279</b>	<b>\$ -</b>	<b>\$ 10,380</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,200,056</b>	
<b>LIABILITIES:</b>										
Accounts Payable	\$ -	\$ 108,585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Due to Other Funds	-	-	-	-	-	-	-	-	-	
Due to Governmental Units	-	-	-	-	-	-	-	-	-	
Accrued Liabilities	-	-	-	-	-	-	-	-	-	
Deferred Revenue	-	-	-	-	-	-	-	-	554,275	
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 108,585</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 554,275</b>	
<b>FUND BALANCES:</b>										
Unreserved	-	-	178	3,279	-	10,380	-	-	645,781	
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>178</b>	<b>3,279</b>	<b>-</b>	<b>10,380</b>	<b>-</b>	<b>-</b>	<b>645,781</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 108,585</b>	<b>\$ 178</b>	<b>\$ 3,279</b>	<b>\$ -</b>	<b>\$ 10,380</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,200,056</b>	

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2003

	Debt Service Funds				Capital Project Funds				Totals	
	1995 City of SSM Debt Retirement	Avery Square Bond Retirement	1988 Bldg. Authority Bond Retirement	Courthouse Annex Renovation	1977 Superior Twp. Debt Retirement	Hakola-Ross Drainage	Animal Shelter Construction	2000 Superior Twp. Improvements	Courthouse Annex Renovation	(Memorandum Only)
ASSETS:										
Cash & Investments - Unrestricted	\$ -	\$ 242,461	\$ 2,034	\$ -	\$ -	\$ 7,503	\$ -	\$ 55	\$ 39,504	\$ 1,833,206
Accounts Receivable	-	-	-	-	-	-	-	-	-	65,194
Taxes Receivable	-	-	-	-	-	-	-	-	-	1,253,081
Accrued Interest on Deposits	-	775	-	-	-	-	-	-	-	9,768
Due from Other Funds	-	-	-	-	-	-	-	-	-	303,195
Due from Governmental Units	-	-	-	-	-	-	-	-	-	291,840
Other Assets	-	-	-	-	-	-	-	-	-	761
TOTAL ASSETS	\$ -	\$ 243,236	\$ 2,034	\$ -	\$ -	\$ 7,503	\$ -	\$ 55	\$ 39,504	\$ 3,757,045
LIABILITIES:										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,025
Due to Other Funds	-	-	-	-	-	-	-	-	-	250,537
Due to Governmental Units	-	-	-	-	-	-	-	-	-	35,000
Accrued Liabilities	-	-	-	-	-	-	-	-	-	26,145
Deferred Revenue	-	-	-	-	-	-	-	-	-	1,287,344
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	1,805,051
FUND BALANCES:										
Unreserved	-	243,236	2,034	-	-	7,503	-	55	39,504	1,951,994
TOTAL FUND BALANCES	-	243,236	2,034	-	-	7,503	-	55	39,504	1,951,994
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 243,236	\$ 2,034	\$ -	\$ -	\$ 7,503	\$ -	\$ 55	\$ 39,504	\$ 3,757,045

Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended December 31, 2003

Special Revenue Funds												
50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Ambulance	Office of Emergency Services	Emergency Telephone System	ADC Child Support	Community Service	Correctional Facility Maintenance	
\$	-	\$	-	\$	-	\$	\$	-	\$	-	\$	
		151,088	-	-	-	-	222,398	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	805	-	
7,948	100,959	-	-	-	3,900	-	-	475,555	1,630	-	10,826	
		-	-	-	-	-	49,188	-	-	-	-	
		50,143	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	6,551	104,767	-	-	-	
7,948	100,959	201,231	-	-	3,900	307,195	278,137	580,322	1,630	805	10,826	
4,489	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	
-	135,186	-	-	846	-	200,025	311,608	566,037	-	-	-	
-	-	221,230	-	-	3,795	-	-	-	1,824	-	77,128	
-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	33,280	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	
4,489	135,186	221,230	-	846	3,795	233,305	311,608	566,037	1,824	-	77,128	
3,459	(34,227)	(19,999)	-	(846)	105	73,890	(33,471)	14,285	(194)	805	(66,302)	
-	22,303	-	-	-	-	-	74,099	27,304	-	-	-	
(18,676)	-	-	-	-	-	(74,099)	-	(49,989)	(16,640)	(4,145)	-	
(15,217)	(11,924)	(19,999)	-	(846)	105	(209)	40,628	(8,400)	(16,834)	(3,340)	(66,302)	
23,287	11,925	21,556	2,488	871	285	242,482	-	125,268	21,649	5,905	252,458	
\$ 8,070	\$ 1	\$ 1,557	\$ 2,488	\$ 25	\$ 390	\$ 242,273	\$ 40,628	\$ 116,868	\$ 4,815	\$ 2,565	\$ 186,156	
EXPENDITURES:												
Judicial												
General Government												
Public Safety												
Public Works												
Health and Welfare												
Recreational and Cultural												
Capital Outlay												
Debt Service												
TOTAL EXPENDITURES												
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES												
OTHER FINANCING SOURCES (USES):												
Operating Transfers In												
Operating Transfers Out												
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES												
FUND BALANCES, JANUARY 1												
FUND BALANCES, DECEMBER 31												

Statement of Revenue, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended December 31, 2003

	Hazardous Waste Facility	Superior Twp 2000 Improvements Maint	Special Revenue Funds										Sheriff Special Projects	Law Library
			Chippewa County Recycling	Office of Community Correction	Register of Deeds Automation	Chippewa County Liaison Officer	Secondary Road Patrol	Law Enforcement Training	Sheriff Park Patrol					
REVENUES:														
Taxes	-	\$ -	\$ 358,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Federal Sources	-	-	-	-	-	-	75,990	-	-	-	-	-	-	
State Sources	35,440	-	-	52,838	-	-	-	88,555	2,522	-	-	-	-	
Local Sources	-	27,585	-	-	-	-	-	-	-	-	6,130	-	-	
Charges for Services	-	-	-	50,498	43,425	-	-	-	-	4,470	-	-	-	
Interest & Rentals	-	362	-	-	-	-	-	-	-	-	-	-	-	
Fees and Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	3,500	
Other Revenue	-	-	-	-	-	-	9,314	-	-	-	-	-	-	
TOTAL REVENUES	35,440	27,947	358,043	103,336	43,425	85,304	88,555	2,522	4,470	6,130	3,500	-	-	
EXPENDITURES:														
Judicial	-	-	-	-	-	-	-	-	-	-	-	-	1,270	
General Government	-	-	-	-	6,799	-	-	-	-	-	-	-	-	
Public Safety	-	-	-	115,214	-	118,697	138,598	3,502	2,093	5,809	-	-	-	
Public Works	46,472	-	320,000	-	-	-	-	-	-	-	-	-	-	
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	
Recreational and Cultural	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Outlay	7,260	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL EXPENDITURES	53,732	-	320,000	115,214	6,799	118,697	138,598	3,502	2,093	5,809	1,270	-	-	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,292)	27,947	38,043	(11,878)	36,626	(33,393)	(50,043)	(980)	2,377	321	2,230	-	-	
OTHER FINANCING SOURCES (USES):														
Operating Transfers In	18,292	-	-	3,500	-	33,393	49,757	-	-	-	-	-	-	
Operating Transfers Out	-	-	(9,146)	-	-	-	-	-	-	-	-	-	-	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	27,947	28,897	(8,378)	36,626	-	(286)	(980)	2,377	321	2,230	-	-	
FUND BALANCES, JANUARY 1	-	-	238,823	28,474	-	-	286	8,847	7,155	4,306	1,439	-	-	
FUND BALANCES, DECEMBER 31	\$ -	\$ 27,947	\$ 267,720	\$ 20,096	\$ 36,626	\$ -	\$ -	\$ 7,867	\$ 9,532	\$ 4,627	\$ 3,669	-	-	



Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended December 31, 2003

	Special Revenue Funds							Debt Service Funds			
	Youth Substance Abuse Assistance	Chippewa County FIA Appropriations	FIA Basic Grant	Independence Agency	FIA Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse	2001 City of SSM Debt Retirement	Superior Twp 2000 Improvement Bond Reserve	Superior Township Improvements Debt
REVENUES:											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	18,246	-	-	-	-	-	-	-	-	-	-
State Sources	2,269	-	9,370	286,670	-	4,305	3,944	-	-	-	-
Local Sources	-	-	-	-	-	7,500	-	-	-	10,380	33,894
Charges for Services	-	-	-	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	-	-	-
Fees and Collections	-	-	-	16,705	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	272	6,533	-	-	-	-	-	-	178,299	-	-
TOTAL REVENUES	20,787	6,533	9,370	303,375	-	11,805	3,944	-	178,299	10,380	33,894
EXPENDITURES:											
Judicial	-	-	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-	-	-
Public Safety	20,786	-	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	26,799	4,655	307,439	13,500	586,421	2,643	-	-	-	-
Recreational and Cultural	-	-	-	-	-	-	-	208	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	178,299	-	33,894
TOTAL EXPENDITURES	20,786	26,799	4,655	307,439	13,500	586,421	2,643	208	178,299	-	33,894
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1	(20,266)	4,715	(4,064)	(13,500)	(574,616)	1,301	(208)	-	10,380	-
OTHER FINANCING SOURCES (USES):											
Operating Transfers In	-	21,000	-	-	13,500	574,616	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	(1,140)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1	734	4,715	(4,064)	-	-	161	(208)	-	10,380	-
FUND BALANCES, JANUARY 1	(1)	199	850	13,690	-	-	17	3,487	-	-	-
FUND BALANCES, DECEMBER 31	-	\$ 933	\$ 5,565	\$ 9,626	\$ -	\$ -	\$ 178	\$ 3,279	\$ -	\$ 10,380	\$ -

Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended December 31, 2003

	Debt Service Funds							Capital Projects Funds				Totals (Memorandum Only)
	1998 City of SSM Debt Retirement	Jail Expansion Bond Retirement	1995 City of SSM Debt Retirement	Avery Square Bond Retirement	1988 Bids Authority Bond Retirement	Courthouse Annex Renovation	1977 Superior Twp Debt Retirement	Hakola-Ross Drainage	Animal Shelter Construction	2000 Superior Twp Improvements	Courthouse Annex Renovation	
REVENUES:												
Taxes	\$ -	\$ 429,537	\$ -	\$ -	\$ 373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,095,148
Federal Sources	-	-	-	-	-	-	-	-	-	2,700	-	470,422
State Sources	-	-	-	-	-	-	-	-	-	-	-	485,913
Local Sources	197,938	-	278,305	156,850	-	-	8,750	-	-	-	-	728,137
Charges for Services	-	-	-	-	-	-	-	-	-	-	-	699,211
Interest & Rentals	-	14,753	-	3,384	-	-	-	-	-	-	515	68,202
Fees and Collections	-	-	-	-	-	-	-	-	-	-	-	66,848
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-	-	3,500
Other Revenue	-	-	-	-	-	-	-	-	-	-	-	305,736
TOTAL REVENUES	197,938	444,290	278,305	160,234	373	-	8,750	-	-	2,700	515	3,923,117
EXPENDITURES:												
Judicial	-	-	-	-	-	-	-	-	-	-	-	5,759
General Government	-	-	-	-	-	-	-	-	-	-	-	6,799
Public Safety	-	-	-	-	-	-	-	-	-	-	-	1,483,215
Public Works	-	-	-	-	-	-	-	4,692	-	-	-	583,478
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	1,168,306
Recreational and Cultural	-	-	-	-	-	-	-	-	-	-	-	208
Capital Outlay	-	-	-	-	-	-	-	-	155,511	2,707	-	198,758
Debt Service	197,938	300,752	278,305	161,537	-	201,695	8,750	-	-	-	-	1,361,170
TOTAL EXPENDITURES	197,938	300,752	278,305	161,537	-	201,695	8,750	4,692	155,511	2,707	-	4,807,693
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	143,538	-	(1,303)	373	(201,695)	-	(4,692)	(155,511)	(7)	515	(884,576)
OTHER FINANCING SOURCES (USES):												
Operating Transfers In	-	-	-	25,000	-	201,695	-	-	155,511	-	-	1,219,970
Operating Transfers Out	-	-	-	-	-	-	-	-	-	-	-	(173,835)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	143,538	-	23,697	373	-	-	(4,692)	-	(7)	515	161,559
FUND BALANCES, JANUARY 1	-	502,243	-	219,539	1,661	-	-	12,195	-	62	38,989	1,790,435
FUND BALANCES, DECEMBER 31	\$ -	\$ 645,781	\$ -	\$ 243,236	\$ 2,034	\$ -	\$ -	\$ 7,503	\$ -	\$ 55	\$ 39,504	\$ 1,951,994

# County of Chippewa, Michigan

## Combining Statement of Net Assets Combining Major Tax Collection Enterprise Fund Year Ended December 31, 2003

	2002 Tax Revolving	2001 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	1999 Tax Revolving	2000 Tax Revolving	Homestead Tax	Totals (Memorandum Only)
<b>ASSETS:</b>								
Cash & Investments	\$ 1,181,633	\$ 2,471,280	\$ 760,857	\$ 70,470	\$ 743,915	\$ 469,625	\$ -	\$ 5,697,780
Tax Receivable	1,000,988	135,747	17,976	-	36,279	84,925	-	1,275,915
Accrued Interest on Deposits	120,458	4,349	-	-	-	-	-	124,807
Due from Other Funds	670,584	-	-	38,110	-	-	-	708,694
Due from Other Governmental Units	-	-	-	-	-	-	9,932	9,932
<b>TOTAL ASSETS</b>	<b>\$ 2,973,663</b>	<b>\$ 2,611,376</b>	<b>\$ 778,833</b>	<b>\$ 108,580</b>	<b>\$ 780,194</b>	<b>\$ 554,550</b>	<b>\$ 9,932</b>	<b>\$ 7,817,128</b>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ 127,094	\$ 9,064	\$ 6,987	\$ -	\$ 7,113	\$ 11,852	\$ 9,924	\$ 172,034
<b>TOTAL LIABILITIES</b>	<b>127,094</b>	<b>9,064</b>	<b>6,987</b>	<b>-</b>	<b>7,113</b>	<b>11,852</b>	<b>9,924</b>	<b>172,034</b>
<b>NET ASSETS:</b>								
Unrestricted	2,846,569	2,602,312	771,846	108,580	773,081	542,698	8	7,645,094
<b>TOTAL NET ASSETS</b>	<b>2,846,569</b>	<b>2,602,312</b>	<b>771,846</b>	<b>108,580</b>	<b>773,081</b>	<b>542,698</b>	<b>8</b>	<b>7,645,094</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,973,663</b>	<b>\$ 2,611,376</b>	<b>\$ 778,833</b>	<b>\$ 108,580</b>	<b>\$ 780,194</b>	<b>\$ 554,550</b>	<b>\$ 9,932</b>	<b>\$ 7,817,128</b>

# County of Chippewa, Michigan

## Combining Statement of Revenues, Expenses and Changes in Net Assets - Major Tax Collection Enterprise Fund Year Ended December 31, 2003

	2002 Tax Revolving	2001 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	1999 Tax Revolving	2000 Tax Revolving	Homestead Tax	Totals (Memorandum Only)
<b>OPERATING REVENUES:</b>								
Charges for Services	\$ 250,153	\$ 97,492	\$ 20,413	\$ 11,179	\$ 886	\$ 7,973	\$ -	\$ 388,096
Interest & Rentals	339	-	-	-	7,834	28,173	-	36,346
<b>TOTAL OPERATING REVENUES</b>	<b>250,492</b>	<b>97,492</b>	<b>20,413</b>	<b>11,179</b>	<b>8,720</b>	<b>36,146</b>	<b>-</b>	<b>424,442</b>
<b>OPERATING EXPENSES:</b>								
General and Administrative	3,094	5,889	-	1,026	-	2,196	-	12,205
Total Operating Expenses	3,094	5,889	-	1,026	-	2,196	-	12,205
<b>OPERATING INCOME (LOSS)</b>	<b>247,398</b>	<b>91,603</b>	<b>20,413</b>	<b>10,153</b>	<b>8,720</b>	<b>33,950</b>	<b>-</b>	<b>412,237</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Interest on Deposits	-	-	17,677	-	10,017	-	-	27,694
Operating Transfers In	2,723,171	-	-	-	1,050,000	-	-	3,773,171
Operating Transfers Out	(124,000)	(500,000)	(550,000)	-	(2,723,171)	-	-	(3,897,171)
Total Non-operating Expenses	2,599,171	(500,000)	(532,323)	-	(1,663,154)	-	-	(96,306)
<b>CHANGE IN NET ASSETS</b>	<b>2,846,569</b>	<b>(408,397)</b>	<b>(511,910)</b>	<b>10,153</b>	<b>(1,654,434)</b>	<b>33,950</b>	<b>-</b>	<b>315,931</b>
NET ASSETS, JANUARY 1	-	3,010,709	1,283,756	98,427	2,427,515	508,748	8	7,329,163
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ 2,846,569</b>	<b>\$ 2,602,312</b>	<b>\$ 771,846</b>	<b>\$ 108,580</b>	<b>\$ 773,081</b>	<b>\$ 542,698</b>	<b>\$ 8</b>	<b>\$ 7,645,094</b>

Combining Statement of Cash Flows  
Major Tax Collection Enterprise Fund  
Year Ended December 31, 2003

	2002 Tax Revolving	2001 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin.	1999 Tax Admin.	2000 Tax Revolving	Homestead Tax	Totals (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Receipts from Customers	(870,954)	1,043,739	92,426	11,179	52,608	245,378	3,218	577,594
Payments to Suppliers	(3,094)	(5,889)	-	(1,026)	-	(2,196)	-	(12,205)
Internal Activity - Payments to Other Funds	(543,490)	5,889	-	(11,180)	-	2,196	2,814	(543,771)
Net Cash Provided (Used) by Operating Activities	(1,417,538)	1,043,739	92,426	(1,027)	52,608	245,378	6,032	21,618
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>								
Operating Transfers In	2,723,171	-	-	-	1,050,000	-	-	3,773,171
Operating Transfers Out	(124,000)	(500,000)	(550,000)	-	(2,723,171)	-	-	(3,897,171)
Net Cash Provided (Used) by Noncapital Financing Activities	2,599,171	(500,000)	(550,000)	-	(1,673,171)	-	-	(124,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Interest Income	-	-	17,677	-	10,017	-	-	27,694
Net Cash Provided (Used) by Investing Activities	-	-	17,677	-	10,017	-	-	27,694
Net Increase (Decrease) in Cash and Cash Equivalents	1,181,633	543,739	(439,897)	(1,027)	(1,610,546)	245,378	6,032	(74,688)
Balances - Beginning of the Year	-	1,927,541	1,200,754	71,497	2,354,461	224,247	(6,032)	5,772,468
Balances - End of the Year	1,181,633	2,471,280	760,857	70,470	743,915	469,625	-	5,697,780
Interest Paid	-	-	-	-	-	-	-	-
<b>Reconciliation of Operating Income (Loss) to Operating Income (Loss)</b>								
Net Cash Provided (Used) by Operating Activities	\$ 247,398	\$ 91,603	\$ 20,413	\$ 10,153	\$ 8,720	\$ 33,950	\$ -	\$ 412,237
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Change in Assets and Liabilities:								
Taxes Receivable	(1,000,988)	861,613	60,668	(11,180)	34,313	190,563	-	134,989
Accrued Interest Receivable on Taxes	-	-	-	-	-	18,669	-	18,669
Accrued Interest Receivable on Deposits	(120,458)	84,634	11,345	-	9,575	-	-	(14,904)
Due from Other Funds	(670,584)	-	-	-	-	-	-	(670,584)
Due From Other Governmental Units	-	-	-	-	-	-	3,218	3,218
Due to Other Funds	127,094	5,889	-	-	-	2,196	2,814	137,993
Net Cash Provided by Operating Activities	\$ (1,417,538)	\$ 1,043,739	\$ 92,426	\$ (1,027)	\$ 52,608	\$ 245,378	\$ 6,032	\$ 21,618

**Statement of Net Assets  
Internal Service Fund  
December 31, 2003**

	<u>Central Stores</u>
<b>ASSETS:</b>	
Inventories	<u>\$     40,478</u>
TOTAL ASSETS	<u><u>\$     40,478</u></u>
<b>LIABILITIES:</b>	
Due to Other Funds	<u>\$     25,291</u>
TOTAL LIABILITIES	<u>25,291</u>
<b>NET ASSETS:</b>	
Unrestricted	<u>15,187</u>
TOTAL NET ASSETS	<u><u>15,187</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$     40,478</u></u>

# County of Chippewa, Michigan

## Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Fund Year Ended December 31, 2003

	Central Stores
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 24,305
<b>TOTAL OPERATING REVENUES</b>	<b>24,305</b>
<b>OPERATING EXPENSES:</b>	
Supplies	23,383
<b>Total Operating Expenses</b>	<b>23,383</b>
<b>CHANGE IN NET ASSETS</b>	<b>922</b>
<b>NET ASSETS, JANUARY 1</b>	<b>14,265</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ 15,187</b>

## **Compliance Reports**





**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL**  
**OVER FINANCIAL REPORTING BASED ON AN AUDIT OF**  
**FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE**  
**WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board  
County of Chippewa, Michigan  
319 Court Street  
Sault Ste. Marie, MI 49783

We have audited the accompanying basic financial statements of the County of Chippewa, Michigan, as of and for the year ended December 31, 2003, and have issued our report thereon, dated February 6, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as item 03-1. We also noted certain immaterial instances of noncompliance, which we have reported to management of the County of Chippewa, Michigan in a separate letter dated February 6, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over the financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in design or operation of the internal control over financial reporting that in our judgment could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in a separate letter dated February 6, 2004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We noted one matter involving the internal control over financial reporting that we consider to be a material weakness and other immaterial matters involving the internal control over financial reporting, which we have reported to management of County of Chippewa, Michigan in a separate letter dated February 6, 2004.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Co PLC*

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

February 6, 2004



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO**  
**EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER**  
**COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board  
County of Chippewa, Michigan  
319 Court Street  
Sault Ste. Marie, MI 49783

**Compliance**

We have audited the compliance of the County of Chippewa, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Chippewa County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the twelve months ended December 31, 2003.

Internal Control Over Compliance

The management of Chippewa County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Co PLC*

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

February 6, 2004

# County of Chippewa, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Direct Awards:			
Water System Grant (Superior Township)	10.760	-	\$ 2,700
Pass-through from the Michigan Department of Community Health Women, Infant and Children	10.557	-	138,442
Total U.S. Department of Agriculture			<u>141,142</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
Pass-through from the Michigan State Housing Development Authority CDBG Housing Program	14.228	MSC-03-731-HOA	151,088
Total U.S. Department of Housing and Urban Development			<u>151,088</u>
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
Pass-through from Dianne Pepler Resource Center: STOP Grant	16.588	-	20,000
Pass-through from Emmet County S.A.N.E. - 10-1-02 to 9-30-03 S.A.N.E. - 10-1-03 to 9-30-04	16.579 16.579	70868-8K03 70868-8K04	25,437 7,423
Subtotal			<u>32,860</u>
Pass-through from the Michigan State Police: 2002 State Domestic Preparedness Equipment Grant 2003 State Homeland Security Grant Program	16.007 16.007	- -	55,409 56,597
Subtotal			<u>112,006</u>
Pass-through from the Michigan Dept. of Community Health Office of Drug Control Policy: Youth Prevention & Intervention Strategies Youth Prevention & Intervention Strategies	16.592 16.592	80049-4L02 80049-4L03	53,497 22,493
Subtotal			<u>75,990</u>
Total U.S. Department of Justice			<u>240,856</u>

# County of Chippewa, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
Passed-through from the Michigan Department of Transportation:			
Airport Improvement Program:			
Construct new terminal, parking, apron, access road, T-hangar	20.106	3-26-0135-1201	253,310
Snow Removal Equipment	20.106	3-26-0139-1503	397,828
Wildlife study, fencing, T-hangars, boarding bridge	20.106	3-26-0139-1402	119,198
Subtotal			<u>770,336</u>
Passed-through from the State of Michigan Department of Transportation (MDOT):			
Homestead Road	20.205	53191	1,453,258
Riverside & 3 Mile Road	20.205	48705	(351)
Mackinac Trail	20.205	58430	543,649
6 Mile Road	20.205	72812	653,476
Subtotal			<u>2,650,032</u>
Total U.S. Department of Transportation			<u>3,420,368</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>			
Pass Through from State of Michigan Department of Environmental Quality:			
Radon	66.032	-	3,000
Beaches/Surface Water	66.458	-	11,752
Water Assessments	66.468	-	400
Subtotal			<u>15,152</u>
Total U.S. Environmental Protection Agency			<u>15,152</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY:</b>			
Pass-through from the State of Michigan Department of State Policy, Emergency Management Division:			
Emergency Management - 10-1-02 to 9-30-03	83.552	-	17,142
2002 Supplemental Funds Planning Grant	83.562	-	15,617
Total Federal Emergency Management Agency			<u>32,759</u>

# County of Chippewa, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>			
Pass-through from the Upper Peninsula Community Action Program (UPCAP):			
Senior Screening - Title EEE	93.043	-	72,119
Pass-through from the State of Michigan Family Independence Agency (FIA):			
Friend of the Court - Incentive	93.560	-	39,477
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-01-17001	214,689
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-03-17002	61,013
Subtotal			315,179
<b>Pass-through from the Department of Community Health:</b>			
Family Planning	93.217	-	32,927
Immunizations	93.268	H23 CCH504477	19,480
Vaccine Provided	93.268	-	144,051
EPSTD Outreach	93.778	-	2,283
Bioterrorism	93.283	B1MIMCHS	107,633
Breast and Cervical Cancer - Direct	93.919	U57 CCU506738	36,750
Maternal and Child Health Block Grant	93.994	81MIMCHS	5,960
Maternal and Child Health	93.994	B1MIMCHS	25,920
Family Planning Services	93.994	B1MIMCHS	5,374
Subtotal			380,378
Total U.S. Department of Health & Human Services			767,676
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 4,769,041</b>

# County of Chippewa, Michigan

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2003

### NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Chippewa, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### NOTE B - SUBRECIPIENT GRANTEE:

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
CDBG-Housing Grant	Community Action Human Resource Authority	14.228	\$ 151,088
Water System Grant	Superior Township	10.760	<u>2,700</u>
Total federal awards provided to subrecipients			<u>\$ 153,788</u>

### NOTE C - MDOT ADMINISTRATION:

The Highway Planning and Construction Grants (Chippewa County Road Commission) and Airport Improvement Grants (Chippewa County Economic Development Corporation) include various projects. Accordingly, the federal expenditures recognized on each negotiated project do not necessarily relate to the County's actual costs for that project. Contracted projects are administered by MDOT which monitors the applicable compliance requirements of those projects.



**NOTE D - RECONCILIATION TO COMBINED STATEMENT OF REVENUE,  
EXPENDITURES AND CHANGES IN FUND BALANCE:**

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal per Combined Financial Statements	
Revenues – Primary Government	\$ 843,429
Federal Grants classified to state and other revenues	<u>3,925,612</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 4,769,041</u>

# County of Chippewa, Michigan

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2003

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
· Material weaknesses identified?	Yes
· Reportable conditions identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major programs:	
· Material weaknesses identified?	No
· Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

#### Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.557	WIC
16.007	State Domestic Preparedness Equipment Grant
16.007	State Homeland Security Grant Program
93.563	FOC/PA Coop Reimbursement
93.268	Vaccine Provided/Immunizations

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

NONE

See "Report to Management" dated February 6, 2004.

**03-1. - Excess Expenditures Over Appropriations:**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The General Fund budget is adopted at the functional level and the Special Revenue funds are adopted in total. During the year ended December 31, 2003, the County incurred expenditures in certain budgetary funds which were in excess of the amount appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Public Safety	2,217,131	2,291,558	(74,427)
Other Expenditures	646,528	651,931	(5,403)
Transfers Out	1,348,759	1,368,125	(19,366)
Special Revenue:			
50 <sup>th</sup> Circuit Court	22,693	23,165	(472)
Sheriff's Road Patrol	125,493	138,598	(13,105)
Law Enforcement Training	3,099	3,502	(403)
Sheriff Special Projects	4,752	5,809	(1,057)
FIA Appropriation	21,000	26,799	(5,799)
FIA Child Care	559,114	586,421	(27,307)

**Section III - Federal Award Findings and Questioned Costs**

---

NONE

01-1. - Subrecipients:

U.S. Department of Transportation:

Transportation Enhancement Grant - CFDA No. 20.205.

*Statement of Condition:* Subrecipient monitoring policies have not been implemented for the federal program.

*Criteria:* OMB Circular A-133 requires that a governmental unit that passes federal funds to another governmental unit must implement and monitor compliance of that organization with the provisions of the OMB circulars and other federal regulations.

*Effect of the Condition:* Without adequate review of subrecipient audit reports, single audit compliance reports and other monitoring procedures, the requirements of OMB Circular A-133 cannot be documented.

*Cause of Condition:* Audit reports of the subrecipient were not requested by the organization

*Recommendation:* The County should adopt a subrecipient monitoring policy and implement the appropriate review procedures to assure compliance with federal regulations.

*Response:* The County has reviewed the appropriate compliance reports or has requested recent audit reports of subrecipients. Additionally, management is developing a comprehensive monitoring policy.

*Status:* The Michigan Department of Transportation monitors this program, however the Road Commission has not documented its monitoring procedures. During 2003, the Commission documented its monitoring procedures and the Michigan Department of Transportation has "finaled" the project.

## County of Chippewa, Michigan

### Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2003

#### 02-1. - Excess Expenditures Over Appropriations:

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The General Fund budget is adopted at the functional level and the Special Revenue funds are adopted in total. During the year ended December 31, 2002, the County incurred expenditures in certain budgetary funds which were in excess of the amount appropriated as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund:			
Capital Outlay	\$ 180,423	\$ 222,492	\$ (42,069)
General Government	2,463,408	2,471,272	(7,864)
Judicial	2,183,850	2,197,458	(13,608)
Other Expenditures	600,345	601,638	(1,293)
Transfers Out	1,609,943	1,622,106	(12,163)
Health and Welfare	250,574	254,031	(3,457)
Special Revenue:			
Veteran's Trust	6,000	6,204	(204)
50 <sup>th</sup> Circuit Court	2,000	5,097	(3,097)
E911	544,722	546,624	(1,902)
Law Enforcement Training	3,000	3,347	(347)
Sheriff Special Projects	-	1,352	(1,352)
Youth Substance Abuse	68,609	69,173	(564)
FIA Appropriation	20,150	26,785	(6,635)
FIA	350,000	365,716	(15,716)
FIA Child Care	13,500	15,019	(1,519)

*Status:* Overages exist in some items during 2003.

### **Additional Information**

## **CHIPPEWA COUNTY, MICHIGAN**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

To the Honorable Chairman and  
Members of the Board of Directors  
Chippewa County  
Sault Ste. Marie, Michigan

Our report on our audit of the basic financial statements of County of Chippewa, Michigan, as of and for the year ended December 31, 2003, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

*Anderson Tackman & Co. P.C.*

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

February 6, 2004

## NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURES REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of December 31, 2002, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$3,040,000 County of Chippewa Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 1995.
2. \$2,715,000 County of Chippewa Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 1998.
3. \$4,500,000 County of Chippewa Building Authority Bonds, Series 2000.
4. \$1,575,000 Chippewa County Building Authority Bonds, Series 2001.

## NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12.

### A. Population:

1960 U.S. Census.....	32,655	1980 U.S. Census .....	29,029
1970 U.S. Census.....	32,412	1990 U.S. Census .....	34,604
		2000 U.S. Census .....	38,543
2003 estimate.....	39,000		

Source: U.S. Department of Commerce - Bureau of Census and County of Chippewa

### B. Taxable Value (Ad Valorem) by Use and Class:

Use	2004		2003	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 28,305,735	3.73%	\$ 26,856,166	3.72%
Commercial	141,066,865	18.57%	139,448,648	19.26%
Industrial	22,645,471	2.98%	21,460,681	2.96%
Residential	549,833,441	72.40%	518,667,582	71.67%
Utility	17,637,605	2.32%	17,277,200	2.39%
Timber & Developmental	-	0.0%	-	0.0%
Total	<u>\$ 759,489,117</u>	<u>100.00%</u>	<u>\$ 723,710,277</u>	<u>100.00%</u>

# County of Chippewa, Michigan

Additional Information - Unaudited  
December 31, 2003

## NOTE 2 – TABLES: (Continued)

### B. Taxable Value (Ad Valorem) by Use and Class: (Continued)

Class	2004		2003	
	Amount	Percent of Total	Amount	Percent of Total
Real Property	\$ 714,254,809	94%	\$ 679,220,118	94%
Personal Property	45,234,308	6%	44,490,159	6%
Total	<u>\$ 759,489,117</u>	<u>100.00%</u>	<u>\$ 723,710,277</u>	<u>100.00%</u>

Source: County of Chippewa

### C. Taxable Value:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending December 31	Ad Valorem Taxable Value	Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255	Total Taxable Value	Percent Increase Over Prior Year
1998	1999	2000	624,928,364	2,080,350	627,008,714	4.26%
1999	2000	2001	653,632,320	1,470,025	655,102,345	4.48%
2000	2001	2002	690,011,404	3,646,925	693,658,329	5.89%
2001	2002	2003	723,710,277	7,101,150	730,811,427	4.33%
2002	2003	2004	Unavailable	Unavailable	759,489,117	3.92%

Per Capita Total taxable value for the Fiscal Year Ending December 31, 2003 \$19,656.

(1) Based on the County's 2003 population estimate of 39,000.

Source: County of Chippewa

# County of Chippewa, Michigan

Additional Information - Unaudited  
December 31, 2003

## NOTE 2 - TABLES: (Continued)

### D. SEV by Use and Class:

Use	Fiscal Year Ended or Ending December 31				
	2000	2001	2002	2003	2004
Agriculture	\$ 28,761,838	\$ 33,283,471	\$ 35,220,397	\$ 39,375,800	\$ 59,296,445
Commercial	150,892,661	150,276,041	153,927,443	154,494,483	156,657,195
Industrial	24,626,465	22,984,270	29,714,720	22,121,370	23,362,470
Residential	536,970,648	591,024,459	649,055,340	708,746,894	792,633,254
Timber Cutover and Developmental	107,253	219,400	185,300	-	-
Utility	18,420,350	18,357,300	18,473,495	17,277,200	17,637,605
Total	<u>\$ 759,779,215</u>	<u>\$ 816,144,941</u>	<u>\$ 886,576,695</u>	<u>\$ 942,015,747</u>	<u>\$1,049,586,969</u>
<b>Class</b>					
Real Property	\$ 709,402,786	\$ 766,921,831	\$ 829,747,326	\$ 897,498,756	\$1,004,349,670
Personal Property	<u>50,376,429</u>	<u>46,283,060</u>	<u>49,535,519</u>	<u>44,516,991</u>	<u>45,237,299</u>
Total	<u>\$ 759,779,215</u>	<u>\$ 813,204,891</u>	<u>\$ 879,282,845</u>	<u>\$ 942,015,747</u>	<u>\$1,049,586,969</u>

Source: County of Chippewa

### E. Maximum Tax Rates:

Millage Classification	Millage Authorized	Millage Reduction Fraction (1)	Maximum Allowable Millage
Allocated	6.1500	.9902	6.0897
Fire/Ambulance (2)	.4293	.9902	.4250
Roads (2)	1.0000	.9902	.9864
Recycling (2)	.5000	.9902	.4951
Jail Renovation (3)	.7500	.9902	.7298

(1) Cumulative.

(2) Voted. Final levy will be December 1, 2003

(3) Voted. Intended source of payment for the Bonds. Final levy will be December 31, 2018.

Source: County of Chippewa

# County of Chippewa, Michigan

Additional Information - Unaudited  
December 31, 2003

## NOTE 2 - TABLES: (Continued)

### F. Property Tax Rates:

Levy December 1	Fiscal Years Ended or Ending December 31	Allocated	Fire/ Ambulance (1)	Road Improvements (1)	Recycling (1)	Jail (1)	Total
1999	2000	6.1248	0.4276	0.9959	0.4980	0.6000	8.6463
2000	2001	6.1082	0.4264	0.9932	0.4966	0.6000	8.6244
2001	2002	6.0684	0.4236	0.9867	0.4933	0.6000	8.5720
2002	2003	6.0453	0.4293	0.9962	0.5000	0.6000	8.5708
2003	2004	6.0897	0.4250	0.9864	0.4951	0.6000	8.5962

(1) Voted.

Source: County of Chippewa

### G. Highest and Lowest Tax Rates:

The highest and lowest tax rates for homestead and non-homestead properties within the County for its fiscal year ending December 31, 2002:

Property Classification	Highest Tax Rate		Lowest Tax Rate	
	Municipality	Tax Rate	Municipality	Tax Rate
Homestead*	Sault Ste. Marie	37.9980 mils	Soo Township	18.8383 mils
Non-Homestead	Sault Ste. Marie	55.9584 mils	Soo Township	36.7987 mils

- (\*) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 to the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-Homestead is property not included in the above definition.

Source: County of Chippewa

**NOTE 2 - TABLES: (Continued)**

**H. Property Tax Collections:**

December 1 Levy	Fiscal Years Ended or Ending December 31	County Tax Levy (1)	Collections to March 1 Following Levy	Percent Collected to March 1 Following Levy
1999	2000	5,327,356	5,237,324	98.31%
2000	2001	5,550,253	4,887,578	88.06%
2001	2002	5,817,290	5,184,126	89.12%
2002	2003	5,827,115	5,137,251	88.16%

(1) Reflects County levy only. All tax levies reflect adjustments for State Tax Tribunal consent judgments, Board of Review decisions, real estate taxes canceled through foreclosure and State scavenger sales and personal property taxes canceled by circuit court.

Source: County of Chippewa

**I. Ten Largest Taxpayers:**

Taxpayer	Principal Product or Service	December 31, 2003	
		Taxable Value (1)	Percent of of Total (2)
Edison Sault Electric	Utility	\$ 15,501,919	24.55
Sault Ste. Marie Tribe of Chippewa Indians	Tribal - Various	8,973,459	14.21
DDR Michigan II LLC	Shopping Mall	7,744,879	12.27
Cloverland Electric	Utility	7,666,880	12.14
State of Michigan	Government	7,151,676	11.33
12 <sup>th</sup> Avenue Realty Co. LLC	Manufacturing	3,973,200	6.29
Continental Teves	Testing Facility	3,554,500	5.63
Key Plastics LLC	Manufacturing	3,292,600	5.21
Michigan Consolidated Gas. Co.	Utility	3,244,170	5.14
Drummond Dolomite	Quarry	2,038,700	3.23
		<u>\$ 63,141,983</u>	<u>\$ 100.00%</u>

(1) Includes Equivalent Taxable Value of properties granted tax abatement under Act 198.

(2) Based on \$730,811,427 which is the County's Total Taxable Value for the fiscal year ending December 31, 2003. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: County of Chippewa

## NOTE 2 - TABLES: (Continued)

### J. Legal Debt Margin:

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the County may legally incur as of December 31, 2003.

Debt Limit (1)	\$ 94,201,575
Debt Outstanding (2)	<u>14,655,500</u>
Legal Debt Margin	<u>\$ 79,546,075</u>

- (1) 10% of \$942,015,747 which is the County's Total SEV for its fiscal year ending December 31, 2003. Includes the SEV of property granted tax abatement under Act 198.
- (2) Includes the Bonds described herein.

Source: County of Chippewa and Municipal Advisory Council of Michigan

### K. Debt Schedule:

The following table reflects a summary of the County's direct and underlying debt as of December 31, 2003:

County Direct Debt	Gross	Self-Supporting	Net
<b>Building Authority Bonds:</b>			
Dated March 1, 2000 (LT) (1)	\$ 1,170,000	\$ -	\$ 1,170,000
Dated February 1, 1999 (LT)	4,060,000	-	4,060,000
Dated June 1, 1995 (LT)	<u>1,515,000</u>	<u>-</u>	<u>1,515,000</u>
Subtotal	<u>\$ 6,745,000</u>	<u>-</u>	<u>\$ 6,745,000</u>
<b>Water and Sewer Bonds:</b>			
Dated December 11, 2001	\$ 2,600,000	\$ 2,600,000	\$ -
Dated November 4, 1998 (2)	2,630,000	2,630,000	-
Dated November 30, 1995 (2)	2,650,000	2,650,000	-
Dated 1977	75,000	75,000	-
Dated June 1, 2000	585,000	585,000	-
Dated June 1, 2000	<u>27,000</u>	<u>27,000</u>	<u>-</u>
Subtotal	<u>\$ 8,567,000</u>	<u>\$ 8,567,000</u>	<u>\$ -</u>
Installment Obligations	<u>\$ 2,040,335</u>	<u>\$ -</u>	<u>\$ 2,040,335</u>
Total	<u>\$ 17,352,335</u>	<u>\$ 8,567,000</u>	<u>\$ 8,785,335</u>
Per Capita Net County Direct Debt (3)			\$ 225.27
Percent of Net Direct Debt to Total SEV (4)			1.00%

**NOTE 2 - TABLES: (Continued)**

**K. Debt Schedule: (Continued)**

<u>Underlying Debt of County (5)</u>	<u>Total</u>
Cities	\$ 7,180,000
Township	1,017,250
Village	305,000
School Districts	33,565,926
Total Underlying Debt	<u>\$ 42,068,176</u>
Per Capita Underlying Debt (3)	\$ 1,078.00
Percent of Underlying Debt to Total SEV (4)	4.78%
Total Direct and Underlying Debt	<u>\$ 50,853,511</u>
Per Capita Net Direct and Underlying Debt (3)	\$ 1,303.94
Percent of Net Direct and Underlying Debt to Total SEV (4)	5.78%

- (1) The Bonds described herein.
- (2) Secured by the City of Sault Ste. Marie's full faith and credit and limited taxing power.
- (3) Based on the County's 2002 population estimate of 39,000.
- (4) Based on \$879,282,845 which is the County's Total SEV for its fiscal year ending December 31, 2003. Includes the SEV of property granted tax abatement under Act 198.
- (5) Underlying Debt is the debt of the municipal entities located in the County.

Source: County of Chippewa and the Municipal Advisory Council of Michigan.

**L. Debt History:**

There is no record of default on obligations of the County.

**M. Installment Purchase and Lease Obligations:**

See Notes to Financial Statements.



**NOTE 2 - TABLES: (Continued)****N. Short Term Borrowings:**

The County in the years 1983 through 2000, inclusive, issued Delinquent Tax Notes to fund, in part, its Delinquent Tax Payment Fund. The primary security for the Delinquent Tax Notes was the payment of the Delinquent Real Property Taxes. In addition, the County pledged its full faith and credit and limited taxing power to the payment of principal of and interest on the Delinquent Tax Notes. The County may or may not issue notes to fund the Delinquent Tax Payment Fund in future years. The amounts issued in 1994 through 2000, inclusive, are as follows:

<u>Year Issued</u>	<u>Notes Issued</u>	<u>Amount Outstanding</u>
1995	\$ 500,000	\$ -
1996	500,000	-
1997	500,000	-
1998	700,000	-
1999	1,250,000	-
2000	800,000	-

The County does not issue short-term obligations for cash flow purposes.

Source: County of Chippewa

**O. Future Financing:**

Not Anticipated.

**P. Vacation and Sick Leave:**

Employees earn varying amounts of annual vacation and sick leave based on number of years of service up to a maximum and on the various labor union contract terms and administration policies of the different County operating units. Vacation is accumulated and taken annually. Sick leave can accumulate up to 120 days with 100 percent vesting after three years of service for the Sheriff's department only. At December 31, 2003, the accumulated unpaid compensated absences amount to \$409,648.

**NOTE 2 - TABLES: (Continued)**

**Q. Pension Plan:**

All full-time employees of the County are participants in a defined benefit plan administered by the Michigan Municipal Employees Retirement System. The County's contribution to the plan, expressed as a percentage of active member payroll, covers current service costs, unrealized investment income on unfunded accrued liabilities (prior service costs) and the amortization of unfunded accrued liabilities over a 30 year period. Employees of the County contribute 2% of their gross wages. Actuarial assumption are subject to periodic change.

<u>December 31 Valuation Date</u>	<u>Net Assets Available for Benefits</u>	<u>Actuarial Accrued Liability</u>	<u>Assets as a Percent of Actuarial Accrued Liability</u>
1991	\$ 4,505,992	\$ 5,668,340	79%
1992	5,077,779	6,551,744	78
1993	5,942,653	7,801,393	76
1994	6,825,961	8,625,408	79
1995	8,070,864	9,985,628	81
1996	9,648,031	11,191,688	86
1997	10,177,361	12,187,923	84
1998	11,739,213	12,245,489	96
1999	13,685,739	13,633,684	100
2000	15,206,302	16,022,011	95
2001	16,467,208	18,117,222	91
2002	17,113,545	19,641,138	87

Source: County of Chippewa

**R. Labor Contracts:**

The County has 150 full and part-time employees. Approximately 58.8% of the County's permanent employees are represented by labor organizations. The following table illustrates the various labor organizations which represent County employees, the number of members and the expiration date of the present contracts.

<u>Employee Group</u>	<u>Membership</u>	<u>Current Expiration Date</u>
American Federation of State, County and Municipal Employees	36	Unknown
Police Officers Labor Council	25	December 31, 2002
Non-Union Employees	<u>56</u>	Not applicable
Total Permanent County Employees	<u>117</u>	

Source: County of Chippewa

## NOTE 2 - TABLES: (Continued)

### S. Profile of Major Employers:

The following table reflects the diversity of the major employers in the County by the products manufactured or services performed and the approximate number of employees.

<u>Company</u>	<u>Principal Product or Service</u>	<u>Approximate Number of Employees</u>
SSM Tribe of Chippewa	Indians Various Tribal Enterprises/ Casino	2,117
Kinross Area Prisons	State Prisons	1,077
Bay Mills Indian Community	Indians Various Tribal Enterprises/ Casino	760
War Memorial Hospital	Hospital	675
Sault Area Public Schools	Education	400
Lake Superior State University	Education	376
State of Michigan	State Government	361
Soo Plastics	Rubber Products	280
Wal-Mart	Department Store	260
Chippewa County	Local Government	212

Source: County of Chippewa

### T. Employment:

Reflected below are the unemployment statistics for the County for the calendar years 1998 through 2003:

<u>County of Chippewa</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Employed	16,344	16,760	16,825	16,675	16,175	16,175
Unemployed	<u>1,436</u>	<u>1,276</u>	<u>1,375</u>	<u>1,425</u>	<u>1,325</u>	<u>1,475</u>
Labor Force	<u>17,780</u>	<u>18,036</u>	<u>18,200</u>	<u>18,100</u>	<u>17,500</u>	<u>17,650</u>
Unemployed as % Of Labor Force (1)	8.1%	7.1%	7.6%	7.9%	7.6%	8.4%

(1) Totals and percentages may differ due to rounding by the Michigan Employment Security Agency.

Source: Michigan Unemployment Agency